

August 27, 2008

TO: State Directors  
Rural Development

ATTN: Multi-Family Housing (MFH) Program Directors, Coordinators,  
Specialists, State Architects, and Construction Analysts

FROM: Russell T. Davis (*Signed by Russell T. Davis*)  
Administrator  
Rural Housing Service

SUBJECT: Guidance on the Capital Needs Assessment Process

### **Introduction**

The purpose of this Unnumbered Letter (UL) is to provide guidance on the Rural Development Capital Needs Assessment (CNA) process for the Multi-Family Housing (MFH) Preservation and Revitalization Demonstration Program only. This guidance is comprised of six main sections: 1) References to CNA in 7 CFR Part 3560 and the Handbooks; 2) Contract Addendum, 3) Requirements and Scope of Work for a CNA; 4) The CNA Review Process; 5) Guidance for the MFH Property Owner Regarding Contracting for a CNA, and 6) Updating a CNA. There are nine attachments to this UL, Attachments A, B, C, D, E, F, G, H, and I.

### **References to CNA in 7 CFR Part 3560 and the Handbooks**

Attachment A, *References to Capital Needs Assessment (CNA) in 7 CFR part 3560 and Handbooks*, consists of a comprehensive list of references to CNAs from 7 CFR part 3560, HB-1-3560, HB-2-3560, and HB-3-3560. These references include information on situations for which a CNA is required, suggested uses of a CNA, general requirements for a CNA, sources of funding for a CNA, and situations in which a CNA may be performed by Rural Development.

EXPIRATION DATE:  
August 30, 2009

FILING INSTRUCTIONS:  
Housing Programs

## **Contract Addendum**

Rural Development's suggested addendum to the contract can be found in Attachment B, *Addendum to Capital Needs Assessment Contract*. This addendum should accompany all contracts executed between the owner and CNA Provider. For any conflicts that may arise between the original contract or the addendum to the CNA contract, the addendum will supersede. The addendum identifies the responsibilities and requirements for both the property owner and the CNA Provider.

## **Requirements and Statement of Work for a CNA**

Rural Development's requirements for a CNA can be found in Attachment C, *Capital Needs Assessment Statement of Work*, and Attachment D, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*.

Attachment C, *Capital Needs Assessment Statement of Work* (CNA SOW), requires that a CNA be prepared in accordance with Attachment D, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*. To resolve any inconsistency in the two documents, *Capital Needs Assessment Statement of Work* will in all cases prevail over the *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*. The *Addendum to Capital Needs Assessment Contract* is consistent with the *Capital Needs Assessment Statement of Work*.

Attachment C includes the required qualifications for the CNA Provider, the required scope of work for a CNA assignment, and general distribution and review instructions to the CNA Provider. To be acceptable to Rural Development, a contract for a CNA between the property owner and the CNA Provider must include Attachment C.

Attachment D, *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*, is a three-part document that was developed jointly by Fannie Mae and On-Site Insight, Inc. Rural Development has permission from both to use this guidance. However, On-Site Insight has placed restrictions on Rural Development's use of the document. Please note the restrictive use language on the cover page of the guidance to the property evaluator. Attachment D has three components and provides: 1) guidance to the property evaluator; 2) expected useful life tables; and 3) a set of forms. The guidance to the property evaluator includes general instructions on the scope of work for a CNA report and specific instructions on how to use the expected useful life tables and the set of forms. There are three types of forms: 1) Terms of Reference form; 2) Systems and Conditions forms; and 3) Evaluator's Summary forms.

Attachment E, *Accessibility Laws and Requirements*, outlines the federal accessibility laws, regulations, and standards that apply to Section 515 and Section 514/516 Multi-Family Housing properties. The CNA Provider should use Attachment E as a guide in assessment of how the property meets the requirements for accessibility to persons with disabilities. The CNA report must include any actions and estimated costs necessary to comply with applicable federal, state, and local laws and requirements on accessibility. The report must also include an opinion on the adequacy of any existing and

approved transition plans for the property. A transition plan basically summarizes what actions are necessary for a property to comply with accessibility laws. Attachment F, *Existing Property Accessibility Checklist*, contains general information in checklist format that will help the CNA Provider comply with these requirements. For example, a transition plan that does not address any of the deficiencies listed in Attachment F is not adequate, and Attachment F should be used to indicate necessary corrections to the property. A transition plan that addresses all accessibility deficiencies in the property would be adequate. Attachment G, *Accessibility Requirements for Rural Development Financed Existing Multi-Family Housing (Supplemental Questions & Answers)*, provides “Frequently Asked Questions” on accessibility for Rural Development MFH Program properties.

### **The CNA Review Process**

A CNA used by Rural Development will be reviewed by a designated CNA Reviewer in the Rural Development office. The CNA Reviewer should be an architect, construction analyst, appraiser, or other staff member with education, training, and experience in construction, rehabilitation, and repair of Multi-Family Housing properties.

A CNA report must be obtained by the property owner from a third party CNA Provider that has no identity of interest, as defined in 7 CFR part 3560, unless the CNA is performed by Rural Development in accordance with HB-3-3560, Attachment 7-A. The property owner will contract with the CNA Provider and is therefore the client of the provider. However, the owner must consult with Rural Development before contracting with a CNA Provider. (See the following section of this UL, *Guidance for the MFH Property Owner Regarding Contracting for a CNA*, along with the *Contract Addendum* referenced as Attachment B). The Rural Development CNA Reviewer will use Attachment H, *Capital Needs Assessment Guidance to the Reviewer*, to evaluate a proposed agreement or engagement letter between the owner and a CNA Provider. If the proposed agreement is acceptable, the reviewer should advise the appropriate Rural Development official, who will in turn inform the owner. If the proposed agreement is unacceptable, the CNA Reviewer must write a letter to the owner, or directly to the CNA Provider with a copy to the owner, that identifies actions necessary to make the proposed agreement acceptable to Rural Development. If the proposed provider satisfactorily corrects the proposed agreement, the reviewer should advise the appropriate Rural Development official that the agreement is accepted. The proposed fee for the CNA must be reasonable for the agreement to be acceptable.

Preliminary and final versions of the CNA report are subject to review by Rural Development. The CNA Reviewer will review a preliminary CNA report delivered to Rural Development by the CNA Provider. The CNA Reviewer should use Attachment H, *Capital Needs Assessment Guidance to the Reviewer*, which includes a checklist, to review the preliminary CNA report and Attachment I, *Sample Capital Needs Assessment Review Report*, to write the preliminary CNA review report. The preliminary CNA review report will be delivered to the Rural Development loan official, and the CNA Reviewer and the loan official should discuss the reviewer’s conclusions. The loan official should then notify the property owner in writing of any revisions that are necessary to make the CNA report acceptable to Rural Development. The CNA Provider must deliver a final CNA report to Rural Development. Rural Development’s CNA Reviewer must review the final CNA report to determine that the necessary revisions have been made and

that the report is acceptable to Rural Development. The reviewer must write a final CNA review report and deliver it to the loan official. At this time, the CNA Reviewer and loan official should review the CNA together, to make sure the loan official understands the CNA requirements. If differences of opinions exist at this time, they should be addressed before the final CNA review report is delivered to the owner. To further support this discussion, the final CNA review report is to be signed by both the CNA Reviewer and the loan official.

During the CNA review process, the CNA Reviewer should consult with the Rural Development field office most familiar with the property. Their input and knowledge of the property may be useful during the review of the CNA. The CNA review checklist now includes an item for the CNA Reviewer and Underwriter / loan official to sign the final report, approving it for Rural Development. This becomes the CNA indicating the actual condition of the property at the time of the CNA inspection – a “snapshot” in time. During the Underwriting process, it is possible that changes will need to be made by Rural Development to address the amount of reserve account money necessary to repair the physical needs of the property in any given year. The Underwriter and the CNA Reviewer will work together to determine necessary changes that meet the financial and physical needs of the property to the best of their abilities. These may involve shifting line items, moving work from year to year, or other adjustments that will improve cash flow. This second CNA will be maintained by Rural Development as documentation of how underwriting was prepared, and used in future for the anticipated schedule of replacements. The first CNA, prepared by the CNA Provider, will be maintained as a record of the condition of the property. Both CNAs should be maintained in the case file, clearly marked as either “Property Condition”, “Underwriting / Replacement Schedule”, or both. (There may be cases when the CNA prepared by the CNA Provider is not revised, and is used for underwriting purposes.)

### **Guidance for the MFH Property Owner Regarding Contracting for a CNA**

The National Office has compiled a directory of CNA Providers that have expressed interest in writing CNAs to be used by Rural Development. This directory will be updated periodically and can be obtained by accessing the MPR Public Website at <http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>. To be added to the directory, CNA Providers should fill out the form on the website, or contact Michel Mitias at [michel.mitias@wdc.usda.gov](mailto:michel.mitias@wdc.usda.gov), or 601-965-4318, x142). Rural Development will not screen CNA Providers in order to add them to the directory, and CNA Providers in the directory are not approved by Rural Development. However, providers that are determined to be unqualified or that repeatedly submit poor quality reports will be dropped from the directory. Rural Development offices will obtain a current copy of the directory of CNA Providers and forward it to the MFH property owner at the time a CNA is to be contracted. Property owners are advised to request an information package from several CNA Providers and to evaluate the information in order to select a provider. The information package should include a completed questionnaire, a list of qualifications, a list of references, a client list, and a sample CNA report.

Attachment B, *Contract Addendum* should be submitted and signed. The property owner’s proposed agreement with a CNA Provider must be consistent with Rural Development’s requirements for the qualifications of the provider and CNA scope of work, as specified in Attachment C, *Capital Needs Assessment Statement of Work*. The Rural Development Office

must review and accept the proposed agreement between the owner and the CNA provider. (See the previous section of this UL, *The CNA Review Process*.)

### **Updating a CNA**

Rural Development has used CNAs for several years now, and some owners have requested a CNA in advance of the selection committee scoring the MPR applications. It must be understood that a CNA must include accurate cost estimates for Rural Development underwriting. The policy to score points during the preapplication process for an existing CNA must comply with the Notice of Funding Availability (NOFA) for Section 514, 515, and 516 Multi-Family Housing Revitalization Demonstration Program. However, to be acceptable for underwriting, the cost data cannot be more than one year old. (One year measured from the date of Rural Development approval of the CNA to underwriting.) If it is older than one year, the CNA must be “updated”. A complete new CNA is not required. The CNA Provider may review property changes (repairs, improvements, or failures) with the owner, review costs, and submit a revised CNA. It is hoped that this will help CNA Providers keep additional costs to a minimum. However, if the site visit for the CNA occurred more than two years prior to the underwriting, the CNA Provider will be required to perform a new site visit as a part of revising the CNA.

### **Training Tool**

Program Support Staff in the National Office has developed a MicroSoft PowerPoint presentation that can be used by the states to train staff, CNA Providers, or owners/managers on the CNA process. This presentation will be posted to the Internet on <http://www.rurdev.usda.gov/rhs/mfh/MPR/MPRHome.htm>. Please contact Larry Fleming at [larry.fleming@wdc.usda.gov](mailto:larry.fleming@wdc.usda.gov) or 202-720-8547, William Downs at [william.downs@wdc.usda.gov](mailto:william.downs@wdc.usda.gov) or 202-7200-1499, or Michel Mitias at [michel.mitias@wdc.usda.gov](mailto:michel.mitias@wdc.usda.gov) or 601-965-4318, x 142, if you have questions on the presentation.

### **Conclusion**

A Procedure Notice that will incorporate this guidance into one of the 3560 handbooks will follow this UL. Handbook procedures regarding the CNA process will be revised over time as Rural Development continues to learn how to improve it. At this time, all CNAs performed that are deemed necessary in accordance with 7 CFR part 3560 will need to follow these guidelines. Any suggestions, comments, or questions on the current guidelines should be directed to Carlton Jarratt, Senior Loan Specialist with the Office of Rental Housing Preservation at [carlton.jarratt@wdc.usda.gov](mailto:carlton.jarratt@wdc.usda.gov), or 804-561-0665.

## **REFERENCES TO CAPITAL NEEDS ASSESSMENT (CNA) IN 7 CFR PART 3560 AND HANDBOOKS**

Listed below is a comprehensive list of references to a Capital Needs Assessment, or CNA, found in 7 CFR part 3560, HB-1-3560, HB-2-3560, and HB-3-3560. These references include information on when a CNA is required, suggested uses of a CNA, general requirements for a CNA, sources of funding for a CNA, and requirements for a CNA performed by Rural Development.

### *7 CFR part 3560*

- 3560.11 – A definition of “Capital Needs Assessment” is included in the definitions section.
- 3560.103(c)(2) - A CNA is required if a borrower requests an increase in the project’s reserve account. The cost of the CNA will be approved as an eligible project expense.
- 3560.103(c)(4) - Borrowers may request an increase in the amount contributed to and held in the reserve account, based on a CNA, as part of the annual budget process.
- 3560.103(c)(5) - Borrowers may request amendments to loan or grant documents to increase the amount contributed to and held in the reserve account, based on a CNA.
- 3560.306(j) - Rural Development may approve a change in the reserve account funding level, based on a CNA.
- 3560.406(d)(5) - A CNA is required to identify a project’s repair and rehabilitation needs in a transfer or a sale with an assumption of the Rural Development loan.
- 3560.656(e) - In the preservation process, when an incentive is developed, Rural Development must consider the project’s capital needs, based on a CNA.

### *HB-1-3560, MFH Loan Origination Handbook*

- HB-1-3560, Ch. 4, Sec. 3, paragraph 4.18(C)(2) - A CNA should be included in a Stage I application as the basis for the annual contribution to the reserve account. The CNA will be reviewed to determine if the recommended reserves are sufficient to cover the projected capital needs.

### *HB-2-3560, MFH Asset Management Handbook*

- HB-2-3560, Ch. 4, Sec. 3, paragraph 4.14 - Rural Development may approve a change in the reserve account funding level based on a CNA.
- HB-2-3560, Ch. 4, Sec. 4, paragraph 4.20(B) - The Loan Servicer will review the CNA, if available, to assess the borrower’s annual capital expenditure budget.
- HB-2-3560, Ch. 5, Sec. 2, paragraph 5.7, *Capital Needs Assessment* – A. Overview

- HB-2-3560, Ch. 5, Sec. 2, paragraph 5.7, *Capital Needs Assessment* – B. General Criteria:
  - A CNA should be prepared at a reasonable cost by a qualified provider.
  - A CNA should be prepared according to accepted industry standards.
  - A CNA should include the detailed items listed on Form RD 3560-11, “*MFH Physical Inspection Report*”.
  - A CNA assessment period should be between 10 and 20 years.
  - Estimated repair and replacement costs and expected useful life spans of components/systems in a CNA should be based on nationally recognized data sources (e.g., RS Means *Repair and Remodeling Cost Data*).
- HB-2-3560, Ch. 5, Sec. 2, paragraph 5.7, *Capital Needs Assessment* – C. CNA required:
  - When ownership of the project is transferred;
  - When the loan is reamortized;
  - When there is a writedown of the project loan; or
  - At the borrower’s request.

*HB-3-3560, MFH Project Servicing Handbook*

- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(a)
  - When repair and rehabilitation issues are anticipated, an independent CNA is to be obtained to determine the capital needs of the project and any necessary adjustments to the reserve account.
  - The cost of a CNA may be funded from the project’s reserve or operating account if funds are available and the cost and quality of the CNA are acceptable to Rural Development.
  - To be acceptable to Rural Development, a CNA must include the following:
    - A physical inspection of the site, architectural features, common areas, and all electrical and mechanical systems;
    - A unit by unit inspection;
    - Identification of repair and/or replacement needs;
    - A cost estimate of the repair and replacement expenses;
    - An analysis, over a period of at least 10 years, of the timing and funding for identified capital needs that includes reasonable assumptions regarding inflation.
  - If the cost or availability of qualified independent contractors prevents or delays the completion of a CNA, Rural Development may perform this function.
    - A contracted CNA should be financially feasible for any project over 20 units.
    - When Rural Development performs the CNA, it will be done with the participation of the State Architect or, if unavailable, a contract architect or State Architect from a neighboring State.
    - A CNA should generally be completed within 12 months prior to the revitalization transaction.
  - When substantial repair/rehabilitation issues are anticipated, the State Architect and Civil Rights Coordinator are to participate in the CNA or other on-site inspection.

- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(c) - When equity is paid in a transaction, reserve account funds being transferred are one of the prioritized sources for repairs and rehabilitation. Post- transaction reserve account levels and funding must be adjusted in accordance with a CNA.
- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Revitalization Principles (3)(d) - When rehabilitation and repairs are not needed immediately at the time of a transaction, funding to the reserve account may be increased according to the capital needs identified in a CNA.
- HB-3-3560, Attachment 7-A, *Revitalization Guidance*, Effective Processing Strategies (3)(b) - A goal should be to establish a process in which only one formal CNA is used by all parties for the revitalization transaction to determine the capital needs of the project.
- HB-3-3560, Attachment 7-B-1, *Application Checklist*, Part 1(10) - The rehabilitation plan should be developed using a CNA.
- HB-3-3560, Attachment 7-B-4, *MFH Transfer and Assumption Contacts List* - The form includes space for contact information for the applicant's CNA provider.
- HB-3-3560, Ch. 10, Sec. 3, paragraph 10.22 - For work-out agreements, a CNA can be used to reassess the reserve level for a project and establish a new reserve level.



**ADDENDUM**  
**TO CAPITAL NEEDS ASSESSMENT CONTRACT**

**(Between Owner and CNA Provider)**

This ADDENDUM to the CAPITAL NEEDS ASSESSMENT (CNA) CONTRACT between \_\_\_\_\_ (“**CNA Provider**”) and \_\_\_\_\_ (“**Owner**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 2008 (the “Effective Date”) for the property known as \_\_\_\_\_ (“**Property**”)

**DEFINITIONS**

“**Acceptance**” means the act of an authorized representative of the United States Department of Agriculture, Rural Development by which the representative approves the Agreement and this Addendum.

“**Agreement**” means the contract entered into between the Owner and the CNA Provider to provide a Capital Needs Assessment of the property. It includes the original document entered into between the parties, this addendum, and any other document incorporated by the agreement.

“**CNA Report**” means a report in general conformance with the *Statement of Work* that is attached hereto as Attachment C and the *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*.

“**CNA Reviewer**” means a person assigned to review the CNA report on behalf of the United States Department of Agriculture, Rural Development.

“**CNA Provider**” means the person or entity entering into the Agreement with the Owner to perform all work required to provide a CNA of the property.

“**Owner**” means the person or persons who have or will have legal title and/or ownership of a property participating under the United States Department of Agriculture, Rural Development programs.

“**Program**” means any Multifamily Housing program administered by the United States Department of Agriculture.

“**Property**” means any structure(s), dwelling(s) and/or land that is the subject of any Multifamily Housing program administered by the United States Department of Agriculture, and for which a Capital Needs Assessment is required by USDA Rural Development.

“**USDA**” means the United States Department of Agriculture.

“**Work**” means the *CNA Statement of Work* as described in Attachment C.

## **RECITALS**

**WHEREAS**, the **Property** is included in a Multifamily Housing Program (hereinafter referred to as the “ Program”) being administered by the United States Department of Agriculture, Rural Development.

**WHEREAS**, as a condition of the Program, the Owner is required to obtain a CNA for the property which has been prepared in accordance with the Statement of Work (described in more detail below) and Owner and CNA Provider must agree to a contract to prepare a CNA for the property.

**WHEREAS**, CNA Provider and Owner are parties to that certain CNA Contract, dated, \_\_\_\_\_, \_\_\_\_\_ (hereinafter referred to as “Agreement”), pursuant to which Owner has retained the services of CNA Provider to provide a CNA for that property identified as \_\_\_\_\_.

**WHEREAS**, the parties hereby wish to incorporate into the Agreement and its exhibits certain additional provisions as set forth below.

**NOW, THEREFORE**, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to the following additional terms and conditions as follows.

### **I. OWNERS OBLIGATIONS -**

#### **a. SUBMISSION OF CONTRACT FOR CONCURRENCE BY USDA Rural Development**

Owner will promptly submit to USDA Rural Development for review and concurrence a copy of the executed Agreement and this Addendum.

#### **b. NOTIFICATION OF CONCURRENCE OF AGREEMENT BY USDA Rural Development**

Upon receiving notification from USDA Rural Development of its concurrence of the Agreement, Owner within 14 days will furnish CNA Provider with evidence of this acceptance.

#### **c. ACCESS TO THE PROPERTY**

Owner shall allow CNA Provider and, if requested, the USDA Rural Development CNA Reviewer, complete, timely and unconditional access to the property and its premises for the purposes of conducting the inspections that are required for preparing the CNA.

#### **d. FURNISHING PROPERTY INFORMATION**

At least \_\_\_\_\_ (number) days prior to the commencement of the CNA inspection, Owner shall furnish to the CNA Provider all information on any recent and/or immediate planned capital improvements to the property, any recent and/or scheduled repairs, finalized maintenance schedules, and information on the existence of any known environmental hazards at the property. In addition, Owner shall provide any available information on any “Transition Plan” or “Self-Evaluation” addressing proposals for complying with any federal accessibility requirements and other matters relevant to the CNA Statement of Work.

Specific items the Owner should provide the CNA Provider include:

1. Contact information for the Owner’s representative at Rural Development (Name, address, telephone number, email address, etc.);
2. Building-by-building breakdown of units by bedroom count and type (i.e. garden, townhouse, fully accessible) to aid in selection of units at time of inspection;
3. Any available plans or blueprints of the housing development (as-built drawings preferred);
4. A listing of capital expenditures for the property over a minimum of the past three to a maximum of five years and maintenance expenditures over the last 12 months;
5. Maintenance logs to help identify any significant or systemic areas of concern;
6. Copies of invoices for completed capital improvements from the last year and/or copies of quotes for any pending/planned capital improvements;
7. Any available Section 504 / Accessibility Self Evaluation or Transition Plans;
8. Any previous Capital Needs Assessments / Physical Needs Assessments (CNAs/PNAs);
9. Any structural or engineering studies;
10. Any reports related to lead-based paint testing or other environmental hazards (i.e. asbestos, mold, underground storage tanks, etc.) that were previously completed and/or related certifications if environmental remediation has been completed;
11. Reports including but not limited to: local health department inspections, soils analysis, USDA’s last compliance review, or USDA’s last security inspection; and
12. If the Owner certifies below that (a) 3<sup>rd</sup> party funds have been committed for use in the transaction for which the CNA is required; and (b) USDA Rural Development has communicated its acceptance or acknowledgement of the availability of these funds (whether by an award of points in a portfolio revitalization program or otherwise); and (c) these funds are to be used towards a rehabilitation program at the property, the Owner should provide the CNA Provider with a copy of the proposed rehabilitation scope and budget.

## II. OWNER'S CERTIFICATIONS -

The Owner hereby certifies as follows:

### a. STATUS OF PROPOSED CNA (circle correct status):

1. Owner **has** received a **commitment** for 3<sup>rd</sup> party funding for the revitalization transaction for which application was made. If the Owner has received a commitment, the CNA Provider will create the CNA based on the conditions of the property after the rehabilitation. If there is an existing scope and budget for the rehabilitation, the Owner will make it available to the CNA Provider. If there is not an existing scope, Owner agrees that it is the CNA Provider's responsibility to identify and document the scope and budget for the proposed rehabilitation of the property for purposes of this CNA.
2. Owner **has requested** 3<sup>rd</sup> party funds but has no commitment. (Rural Development will not award Owner points in the pre-application for 3<sup>rd</sup> party funds to be used towards the cost of revitalizing the property within the Multi-Family Housing Revitalization and Preservation demonstration program unless funds are committed.) If Owner does not have a commitment of 3<sup>rd</sup> party funds, Owner agrees that it is within Rural Development's sole discretion to determine whether the CNA Provider should accept any rehabilitation scope and budget or should conduct a CNA based on the property's "as is" condition. Rural Development will make such a determination on the likelihood of 3<sup>rd</sup> party funds being made available. CNA Provider should verify this decision with Rural Development prior to performing the CNA.
3. Owner does not anticipate 3<sup>rd</sup> party funds being utilized, or does not anticipate a rehab at this time. In this case, the CNA Provider will conduct a normal review of the property, not including / anticipating any rehabilitation, and base the CNA on the existing conditions at the property.

*NOTE: The Owner will not instruct the CNA Provider to perform a "as improved" / post rehab CNA without approval from Rural Development.*

### b. AVAILABILITY

Owner shall be available to promptly discuss any draft or preliminary CNA Report with the CNA Provider and shall address to the CNA Reviewer any desired revisions, comments or concerns the Owner may have relating to such Report.

### c. ADDRESSING DEFICIENCIES

Owner shall promptly furnish to the CNA Provider the Rural Development's Capital Needs Assessment Review Report. Owner will discuss any deficiencies observed by the CNA Reviewer and request that the deficiencies be addressed within five (5) days. Should deficiencies not be addressed within five (5) working days, Owner may order the CNA Provider in writing to suspend, delay, or interrupt all or any part of the work under the Agreement that remains to be performed for such period of time until deficiencies identified by the CNA Reviewer have been satisfied.

**d. PAYMENT**

Upon approval by the CNA Reviewer of the CNA Provider's final Report, Owner will promptly satisfy and pay any remaining fees and/or dues owed to the CNA Provider pursuant to the terms of the Agreement. Other payments shall be subject to the schedule identified in the agreement.

**III. CNA PROVIDER'S OBLIGATIONS -**

**a. CNA PROVIDER'S RESPONSIBILITY FOR WORK**

The CNA Provider shall furnish all necessary labor, materials, tools, equipment, and transportation necessary for performance of the work as described in the Statement of Work, which is attached hereto. The format utilized for this report shall be \_\_\_\_\_. (Write in Microsoft Excel spreadsheet, USDA Rural Development CNA Template, or similar electronic format.)

**b. COMPLIANCE WITH STATEMENT OF WORK**

CNA Provider will comply with the Statement of Work by creating and developing a CNA Report that will incorporate and meet all terms, conditions and requirements as set forth in the Statement of Work.

**c. DELIVERY OF PRELIMINARY CNA REPORT**

CNA Provider promises to within 14 days of visiting the owner's property provide to the Owner and Rural Development a preliminary CNA Report.

**d. AVAILABILITY TO DISCUSS CNA REPORT FINDINGS**

CNA Provider shall take any reasonable measures to be readily available to discuss and respond to any findings, concerns, comments, or revisions the CNA Reviewer may have regarding the preliminary CNA Report.

**e. SUBMISSION OF FINAL CNA REPORT**

After receipt of the CNA Reviewer's Report, the CNA Provider shall within 14 days provide the Owner and Rural Development with a finalized CNA Report. The finalized report will incorporate observations, comments and/or changes identified by the CNA Reviewer.

**IV. CNA PROVIDER'S CERTIFICATIONS**

CNA Provider hereby certifies:

**a. LICENSING AND COMPLIANCE**

CNA Provider possesses valid and current licenses and certifications necessary to comply with the Statement of Work and as regulated by all applicable state, county, and/or local laws and/or ordinances.

**b. CONFLICTS OF INTEREST**

CNA Provider has no identity of interest as defined in 7 CFR part 3560 with project owner , owner’s property, or the management agent / company for the property.

**c. PROPERLY TRAINED**

CNA Provider and any of the CNA Provider’s personnel who will have actual responsibility for the property inspection and preparation of the CNA are properly trained and experienced in evaluating site and building systems, health and safety conditions, physical and structural conditions, environmental and accessibility conditions, and estimating costs for repairing, replacing and improving site and building components.

**d. PROFESSIONALLY EXPERIENCED**

CNA Provider and any of the CNA Provider’s personnel who will have actual responsibility for the property inspection and preparation of the CNA are professionally experienced in preparing and providing CNAs for multifamily housing properties that are similar in scope and operation to those typically financed in USDA Rural Development’s Multi-Family Housing Program.

**e. KNOWLEDGEABLE OF CODES**

CNA Provider and any of the CNA Provider’s personnel who will have actual responsibility for the property inspection and preparation of the CNA are knowledgeable about applicable site and building standards and codes, including federal, state and local requirements on environmental and accessibility issues.

**f. DEBARMENT AND SUSPENSION**

CNA Provider is not debarred or suspended from participating in federally assisted programs.

**V. MISCELLANEOUS**

**a. RURAL DEVELOPMENT PROVISIONS**

Upon request of the CNA Provider or Owner, Rural Development will make available pertinent project data such as the reserve replacements for the last 2-3 years, budget summary of the last two years, and copies of physical inspections and supervisory visits for the property, if available.

**b. ASSIGNMENT OF CONTRACT**

CNA Provider shall not assign or transfer any interest in or performance of this Contract, without written authorization from the Owner and the USDA RD representative.

**c. ENTIRE AGREEMENT**

If there are inconsistencies between any provision in this Addendum and any provision in the Agreement, the provision in this Addendum shall govern. No oral statements or representations or prior written matter contradicting this instrument shall have any force and effect.

**d. GOVERNING LAW**

All matters pertaining to this Addendum (including its interpretation, application, validity, performance and breach) in whatever jurisdiction action may be brought, shall be governed by, construed and enforced in accordance with the laws of the state of \_\_\_\_\_ (location of the "Property")

**e. HEADINGS**

This Addendum shall be governed by and interpreted as part of the Agreement and its general terms and conditions.

**f. TERMS AND CONDITIONS**

Except as expressly stated herein, all other terms and conditions of the Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, the undersigned who are duly authorized to execute and enter into this Addendum, intending to be legally bound hereby, have executed this Addendum as of the date first written above.

\_\_\_\_\_  
Owner

\_\_\_\_\_  
CNA Provider

By its: \_\_\_\_\_  
(title / position)

By its: \_\_\_\_\_  
(title / position)

Concurred by:

The United States Department of Agriculture, Rural Development

\_\_\_\_\_  
Rural Development Representative

\_\_\_\_\_  
(title / position)

# CAPITAL NEEDS ASSESSMENT STATEMENT OF WORK

## **Nature of the Work -**

A capital needs assessment (CNA) is a systematic assessment to determine a property's physical capital needs over the next 20 years based upon the observed current physical conditions of a property. The CNA report provides a year-by-year estimate of capital replacement costs over this 20-year period for use by the property owner and USDA Rural Development personnel in planning the reserve account for replacements and other funding to cover these costs.

*Note: Rural Development will use the CNA report as a key source of information about expected capital needs at the property and the timing of these needs. However, the CNA report is only an estimate of these needs and their timing. It should not be viewed as the formal schedule for actual replacement of capital items. Replacement of capital items should occur when components reach the end of their actual useful life, which may occur earlier or later than estimated in the CNA report.*

## **Qualifications -**

The CNA Provider must:

1. Possess valid and current licenses and certifications necessary to comply with this Statement of Work and as regulated by all applicable state, county, and / or local laws and / or ordinances.
2. Have no identity of interest as defined in 7 CFR part 3560 with project owner, owner's property, or the management agent / company for the property.
3. Be properly trained and experienced in evaluating site and building systems, health and safety conditions, physical and structural conditions, environmental and accessibility conditions, and estimating costs for repairing, replacing, and improving site and building components. (This applies to the CNA Provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA)
4. Be professionally experienced in preparing and providing CNA's for multifamily housing properties that are similar in scope and operation to those typically financed in USDA Rural Development's Section 515 Program. (This applies to the CNA Provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA)
5. Be knowledgeable about applicable site and building standards and codes including federal, state and local requirements on environmental and accessibility issues. (This applies to the CNA Provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA)
6. Not be debarred or suspended from participating from participating in federally assisted programs.



## Statement of Work -

The CNA Provider shall:

1. Perform a CNA in general conformance with the document: “Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator,” except as modified herein.
2. Inspect the property. A minimum of 25% (20% if property includes 50 – 99 units, 15% if the property contains 100 or more units) of all dwelling units shall be inspected in a non-intrusive manner. Consideration shall be given to inspecting at least one unit per floor, per building, and per unit type (one-bedroom, two-bedroom, etc.) up to the threshold. CNA Provider shall ultimately be responsible for appropriate unit sampling but is encouraged to consult with site representatives to gather adequate information to help ensure that unit samples represent a cross-section of unit types and current physical conditions at the property, and are reflective of substantive immediate physical condition concerns. All site improvements, common facilities (every central mechanical room, every laundry etc.), and building exteriors shall be inspected. (ASTM guidelines, allowing for “representative observations” of major elements are not adequate in this regard.) All units designated as fully accessible for the handicapped shall be inspected. The inspection shall include interviews with the property owner, management staff, and tenants as needed. It should also include consideration of all relevant property information provided by the owner, including -
  - Contact information for the client’s representative at Rural Development (Name, address, telephone number, email address, etc.);
  - Building-by-building breakdown of units by bedroom count and type (i.e. garden, townhouse, handicap accessible) to aid in selection of units at time of inspection;
  - Any available plans or blueprints of development (as-built drawings preferred);
  - Listing of capital expenditures for the property over the past minimum of three to maximum of five years and maintenance expenditures over the last 12 months;
  - Maintenance logs to help identify any significant or systemic areas of concern;
  - Copies of invoices for completed capital improvements from the last year and/or copies of quotes for any pending/planned capital improvements;
  - Any available Section 504/Accessibility Self Evaluation/Transition Plans;
  - Any previous capital/physical needs assessments (CNAs/PNAs);
  - Any structural or engineering studies;
  - Any reports related to lead-based paint testing or other environmental hazards (i.e. asbestos, mold, underground storage tanks, etc.) that were previously completed and/or related certifications if environmental remediation has been completed;
  - Reports including but not limited to: local health department inspections, soils analysis, USDA’s last compliance review, USDA’s last security inspection; and
  - If the property owner certifies that (a) 3<sup>rd</sup> funds have been committed for use in the transaction for which the CNA is required; and (b) Rural Development has communicated its acceptance or acknowledgement of the availability of these funds (whether by an award of points in a portfolio revitalization program or otherwise); and (c) these funds are to be used towards a rehabilitation program at the property, the property owner should provide the CNA Provider with a copy of the proposed rehabilitation scope and budget.

3. Prepare a report using forms developed by USDA Rural Development or other similar documents. The report shall be on an electronic worksheet commonly used in the industry, or as prescribed elsewhere herein. The report shall contain the following components, as a minimum:
  - a. Project Summary. Identification of the CNA Provider and property owner, and a brief description of the project, including the name, location, occupancy type (family/elderly) and unit mix.
  - b. Narrative. A detailed narrative description of the property, including year constructed or rehabilitated (of each phase if work completed in multiple phases), interior and exterior elements, architectural and structural components, mechanical systems, etc. It shall also include:
    - i. Number, types, and identification of dwelling units inspected and used as a basis for the findings and conclusions in the report;
    - ii. An assessment of how the property meets the requirements for accessibility to persons with disabilities;
      - a) The report shall include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and local laws and requirements on accessibility. The report shall also include an opinion on the adequacy of any existing and approved transition plans for the property in accordance with USDA/Rural Development requirements. CNA Providers shall not assume that a property built in accordance with accessibility standards prevailing at the time of original construction is “grandfathered” on accessibility requirements.
      - b) Attached is a checklist setting out those items that should be included in any accessibility evaluation. It is meant to provide guidance to CNA Providers, but is not represented to be all-inclusive (i.e., CNA Providers are expected to be familiar with applicable federal accessibility requirements and standards and are required to ensure that the accessibility evaluation is based on such requirements and standards). Also attached are some frequently asked questions and answers regarding Rural Development policies and expectations with respect to certain accessibility matters. Finally, CNA Providers are strongly encouraged to review Appendix 5 to USDA Rural Development Handbook HB-2-3560.
    - iii. An assessment of observed or potential on-site environmental hazards (e.g., above or below ground fuel storage tanks, leaking electrical transformers);

*Note: The report must address and include any existing testing results for the presence of radon, lead in water, lead based paint, and other environmental concerns. CNA Providers are not expected to conduct or commission any testing themselves. However, where test results provided by the owner affirmatively point to hazards, the CNA Provider should inquire about subsequent remediation steps and include cost allowances for any identified hazards not yet remediated.*
    - iv. Recommendations for any additional professional reports as deemed necessary by the CNA Provider, such as additional investigations on potential structural defects or environmental hazards;
    - v. Needs being or to be funded from a third party (if any), such as tax credits, including a description of the work, the source of funding, the year(s) the work is planned to be completed, and the total estimated costs in current dollars; and

*Note: For projects where the property owner advises the CNA Provider that third party funding for rehabilitation is committed and the work will begin within 12 months, the CNA should address post-rehabilitation needs at the property. An example would be a*

*property owner who has submitted a pre-application to USDA Rural Development for the Multifamily Portfolio Revitalization (MPR) demonstration where Rural Development has awarded points to the application for third party funding, and it has committed third party funding. Under the MPR, an owner who has applied for third party funding for rehabilitation but does not have a commitment for this funding should have the CNA prepared based on conditions at the property “as is,” not post rehabilitation. When a property owner is planning rehabilitation within the next 12 months, the CNA contract must indicate that rehabilitation is planned and specify that a post-rehabilitation CNA should be prepared.*

*In preparing CNAs for these properties, the CNA Provider should undertake the CNA on the basis that the third party funded rehabilitation will occur as described in the scope of work for the rehabilitation project provided by the property owner and determine the property’s post-rehabilitation capital needs over the next 20 years. In these cases, the CNA Provider is expected to review and understand the scope of work for planned rehabilitation funded from third party sources, but aside from apparent substantive omissions is not required to comment on the planned rehabilitation.*

*If there is no evidence that third party funding for rehabilitation has been committed (e.g., if rehabilitation is not indicated in the MPR pre-application and/or Rural Development has not awarded points for it), then the CNA Provider should verify with the Rural Development contract prior to performing an “as improved” / post rehab CNA. If no funds are committed, and Rural Development does not agree to a “as improved” CNA, the CNA Provider may note the owner’s rehabilitation proposal in the CNA but the report should be undertaken as though there will be no immediate rehabilitation. In these cases, the CNA should be based on the CNA Provider’s independent professional opinion of current and future needs at the property.*

- vi. Acknowledgments (names and addresses of persons who: performed the inspection, prepared the report, and were interviewed during or as part of the inspection).
- c. Materials and Conditions. This component shall be reported on a Microsoft Office Excel © worksheet. The following major system groups shall be assessed in the report: Site; Architectural; Mechanical and Electrical; and Dwelling Units. ALL materials and systems in the major groups shall be assessed, including the following items:
- i. Item Description;
  - ii. Expected Useful Life (EUL). Data entries must be based on the EUL table included in the “Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator”, unless otherwise explained in the report. Any EUL entry that varies from the table by 25% or more must be adequately supported (include an explanation in the “Comments” column or separate from spreadsheet);
  - iii. Age. The actual age of the material or system;
  - iv. Remaining Useful Life (RUL). Any RUL entry that varies by 2 years or more from the difference between the EUL and Age must be explained in the report. (A “Comments” column is available in the Rural Development CNA Template.);
  - v. Condition. The current physical condition (excellent – good – fair – poor) of the material or system;
  - vi. Description of action needed (repair – replace – maintain construct – none); and,
  - vii. Comments or field notes that are relevant to the report.

- d. **Capital Needs.** This component shall be reported on a Microsoft Office Excel © worksheet. This component identifies all materials and systems for each of the four major system groups to be repaired, replaced, or specially maintained. It shall include the following items for such materials or systems:
- i. Year or years when action is needed;
  - ii. Number of years to complete the needed action;
  - iii. Quantity and Unit of Measure. Any data entry that is not from a physical property measurement or observation during the inspection shall be explained in the report (contrary to ASTM guidance, lump sum allowances shall be used only for capital projects, such as landscaping, that cannot readily be quantified); and,
  - iv. Estimated repair, replacement, or special maintenance unit cost and total cost in current (un-inflated) dollars for each line item. The report shall identify the source(s) used for the cost data. Entries shall include estimated costs for materials, labor (union or non-union wages, as appropriate), overhead & profit, consultant fees, and all other associated costs likely to be incurred by the property owner. In particular, CNA Provider should be mindful of capital activities (e.g., a major landscaping or site drainage project) that are likely to involve design costs, or the involvement of general contractors, with associated overhead and profit considerations. CNA Providers using such standard cost sources shall use cost allocations that include overhead and profit.

*Note: An estimated unit cost that is significantly different from an industry standard cost must be adequately supported.*

Generally, replacement actions shall involve “in-kind” materials, unless a different material is more appropriate, approved by the State Historic Preservation Office, if applicable, and explained in the report. Exceptions shall be made for components that are seen as inadequate (e.g. twenty gallon water heaters, prompting resident complaints) or below contemporary design/construction standards (e.g. single-glazed windows in temperate climates). Rural Development also encourages the consideration of alternative technology and materials that offer the promise of reduced future capital and/or operating costs (more durable and or less expensive to maintain over time, reduce utility expenses, etc.) CNA Providers are not expected to conduct quantitative cost-benefit analyses but shall use sound professional judgment in this regard.

In addition to the exceptions described in the paragraph above, Rural Development may consider the inclusion of market-comparable amenities/upgrades (e.g. air conditioning in warm climates) proposed by the owner when such features are essential to the successful operational and financial performance of the property. Such items should be identified specifically in the CNA report as “owner-recommended upgrades” and include an explanation of why these upgrades are necessary in supporting the financial and operational performance of the property. Where included, CNA Provider comments on the feasibility and appropriateness of the upgrade are encouraged.

- v. The capital needs shall be presented in two time frames:
- a) **Immediate Capital Needs.** All critical health and safety deficiencies (e.g. inoperative elevator or central fire alarm system, missing/unsecured railings, blocked/inadequate fire egress, property-wide pest infestation) requiring corrective action in calendar year 2008. It shall also include any repairs, replacements, and improvements currently being accomplished in a rehabilitation project, regardless of funding source, and anticipated to be completed within 12 months. Include the owner’s budget for any planned rehabilitation (e.g., rehabilitation proposed in the

property owner's Pre-Application to the Rural Development Multifamily Portfolio Revitalization Demonstration). CNA Provider can, but is not required to offer comments about the rehab budget. It shall not include minor, inexpensive (aggregated costs for the material line item is less than \$1000) repairs or replacements that are part of a prudent property owner's operating budget.

Where immediate rehab is proposed by the owner, contractor shall still note the current condition and remaining effective useful lives of affected systems and components, for possible discussion with the owner and Rural Development before the CNA is finalized.

b) Capital Needs Over the Term. Such capital needs include significant maintenance, repairs, and replacement items required during calendar years 2009 through 2028 to maintain the property's physical integrity and long term marketability. It shall include repairs, rehabilitation, replacements, and significant deferred maintenance items currently being planned and anticipated to be completed after calendar year 2008, and corrections for violations of applicable standards on environmental and accessibility issues. It shall also include the needs described in paragraph 3.b.v. above in the appropriate year(s), if any, if these will not be completed within 12 months from the closing of the program revitalization transaction. Generally, it shall not include minor, inexpensive (annual aggregated costs for the material line item is less than \$1,000) repairs or replacements, or maintenance items that are part of a prudent property owner's operating budget. Exceptions to these exclusions may be appropriate for very small properties, and/or for low cost items that may affect resident health and safety (e.g., a damaged or misaligned boiler flue). For example, in small projects (total of 12 units or less), items exempted would be for material line items less than \$250, not \$1,000. The report shall be realistic and based on due diligence and consideration of the property's condition, welfare of the tenants, and logical construction methods and techniques. The estimated unit costs and total costs to remedy the detailed needs shall be provided in current (un-inflated) dollars.

Capital Needs Over the Term shall be based on the actual remaining useful lives of the components and systems at hand. Aside from formal rehabilitation plans that are accounted for in the Immediate Capital Needs section, capital activities shall not be "front-loaded."

*Note: New components or upgrades addressed in the Immediate Capital Needs section may have long-term capital needs implications as well. Those items with expected useful lives of less than twenty years (e.g. air conditioners) also will need to be accounted for in Capital Needs Over the Term.*

- e. Executive Summary. This component shall be reported on a Microsoft Office Excel © worksheet. It shall include:
- i. Summary of Immediate Capital Needs – the grand total cost of all major system groups (in current dollars);
  - ii. Summary of Capital Needs Over the Term – the annual costs and grand total cost of all major system groups (in current and inflated dollars). The inflation rate shall be 3 percent; and,
  - iii. Summary of All Capital Needs – the grand total costs for the immediate and over the term capital needs (in current and inflated dollars). The grand total costs (in current and inflated dollars) per dwelling unit shall also be included.

- f. Appendices. This component shall include a minimum of 10 and a maximum of 25 color digital photographs that describe: the property's buildings (interior and exterior) and other facilities, specific material or system deficiencies, and the bathrooms and kitchens in the units accessible for the handicapped. Include a property location map and other documents as appropriate to describe the property and support the findings and summaries in the report.
4. Deliver the following:
    - a. A minimum of one electronic copy of the report shall be delivered on a compact disk, or other acceptable electronic media, e.g. e-mail, to both property owner and USDA Rural Development for their review and written acceptance. To the greatest extent possible, delivery should be made within 15 business days of execution of the agreement with the property owner.
    - b. If the report is not acceptable, the CNA Provider shall make the appropriate changes in accordance with the review comments. A minimum of one electronic copy of the revised report shall be delivered on a compact disk or via e-mail to both property owner and USDA Rural Development for their review and written acceptance. The delivery should be made within 5 business days of receiving the review comments.
    - c. If the revised report is still not acceptable, additional revisions will be made and electronic copies delivered on compact disks or via e-mail to the property owner and USDA Rural Development until the report is acceptable to both property owner and USDA Rural Development.
  5. Be available for consultation with the property owner or USDA/Rural Development after written acceptance of the report on any of its contents.
  6. The CNA Provider shall NOT analyze the adequacy of the property's existing or proposed replacement reserve account nor its deposits as a result of the capital needs described in the report.

# **FANNIE MAE PHYSICAL NEEDS ASSESSMENT GUIDANCE TO THE PROPERTY EVALUATOR**

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**Expected Useful Life Tables and Forms Developed for Fannie Mae  
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- 1) Transfer of Project Ownership;**
- 2) Loan Reamortization;**
- 3) Loan Write-down; or**
- 4) Development of an Equity Loan Incentive or  
Equity Loan for a Sale to a Non-profit Sponsor.**

## **Introduction**

While many factors affect the soundness of a mortgage loan over time, one of the most significant is the physical condition of the property - past, present and future. A prudent lender must be concerned with the past maintenance and improvements because they may indicate owner and management practices as well as expenses to be incurred in the future. The lender must be concerned with the condition of the property at the time the loan is made, and over the term of the loan, because property condition may directly impact marketability to prospective tenants and the need for major expenditures may impact the economic soundness and value of the property. The lender must also be concerned with the condition of the property at the end of the loan term. If the property has deteriorated, the owner may not be able to secure sufficient financing to pay off the loan at maturity.

Most lenders have always given some attention to physical conditions and needs of properties in their underwriting. However, the amount of attention, the data secured, the quality and analysis of that data, and the impact of this information on underwriting has varied widely. Indeed, many properties and the loans that they secure are now in trouble because of inadequate consideration of physical needs in the underwriting coupled with inadequate attention to property maintenance which has diminished the marketability and overall value of the property.

The guidance and forms in this package, together with the guidance provided to our lenders in our Delegated Underwriting and Servicing (DUS) and Multifamily Guides, is based upon a

desire to see a more standardized approach to assessing the physical needs of properties that will be securing our loans. These documents attempt to respond to stated desires on the part of our lenders for a “level playing field” among competing lenders who may otherwise have different notions of the level of data and analysis required to assess a property’s physical condition. They also attempt to respond to the needs of property evaluators who, desiring to produce the quantity and quality of information deemed necessary, need specific guidance to avoid the appearance of glossing over problems or providing material which is too detailed or complex to be usable by the underwriters.

These documents are meant to provide useful guidance and tools to the evaluators. They cannot cover all situations and are not meant to be inflexible. They are designed to elicit the judgment of the evaluator (in a format which is useful to the underwriter), not to substitute for it. We welcome comments from evaluators in the field, as we did in developing this package, on improving either our forms or guidance so that this package can best serve the needs of both the evaluators and our lenders. If you have such comments, please contact April LeClair, Director of Multifamily Product Management, 3900 Wisconsin Avenue, N.W., Washington, DC 20016 (202-752-7439).

## Specific Guidance to the Property Evaluator

### *Purpose*

The purpose of the Physical Needs Assessment is to identify and provide cost estimates for the following key items:

- Immediate Physical Needs - repairs, replacements and significant maintenance items which should be done immediately
- Physical Needs Over the Term - repairs, replacements and significant maintenance items which will be needed over the term of the mortgage and two years beyond.

As part of the process, instances of deferred maintenance are also identified.

The assessment is based on the evaluator’s judgment of the actual condition of the improvements and the expected useful life of those improvements. It is understood that the conclusions presented are based upon the evaluator’s professional judgment and that the actual performance of individual components may vary from a reasonably expected standard and will be affected by circumstances which occur after the date of the evaluation.

This package explains how to use the set of forms provided by Fannie Mae. It is important to recognize that the forms are intended to help the evaluator conduct a comprehensive and accurate assessment. They also present the results of that assessment in a relatively standard format which will be useful to the lender in making underwriting decisions. However, the forms should not constrain the evaluator from fully presenting his or her concerns and findings. The forms should be used and supplemented in ways which facilitate the preparation and presentation of information useful to the lender regarding the physical needs of the property.



The Systems and Conditions forms may be altered and/or computerized to serve the evaluators' needs so long as information is provided on the condition and Effective Remaining Life of all components and the Effective Remaining Life is compared to the standard Expected Useful Life (EUL). The Summary forms may also be extended or computerized so long as the basic format is maintained.

## Terms of Reference Form

The lender completes this form for the evaluator. It serves as a reference point for the assessment and provides the evaluator with basic information about the property and the term of the loan. Four additional topics are covered:

- *Sampling Expectations* - The lender's expectations about the number and/or percentage of dwelling units, buildings and specialized systems to evaluate may be stated. If there is no stated expectation, the evaluator should inspect sufficient units, buildings, and numbers of specialized systems to state *with confidence* the present and probable future condition of each system at the property. The evaluator should provide a separate statement indicating the sampling systems used to ensure a determination of conditions and costs with acceptable accuracy. If a Sampling Expectation is provided by the lender which is not adequate to achieve the requisite level of confidence, the evaluator should so advise the lender.

Considerations in determining an adequate sample size are age and number of buildings (especially if the property was developed in phases), total number of units, and variations in size, type and occupancy of units. Effective sampling is based on observing a sufficient number of each significant category. Using the above criteria, categories could include *buildings by age of each building* (e.g. inspect buildings in the 8 year old phase and in the 11 year old phase), *buildings by type* (e.g. rowhouse, L-shaped rowhouse, walkup, elevator) and/or *buildings by construction materials* (e.g. inspect the garden/flat roof/brick walls section and the garden/pitched roof/clapboard walls section). Dwelling units are separate categories from buildings. At a minimum, sampling is by unit size (0/1/2/3/4 bedrooms). There may be further categories if units are differently configured or equipped, or have different occupants (especially family or elderly). Generally, we would expect the percentage of units inspected to decrease as the total number of units increases. Systems which are not unit specific, such as boilers, compactors, elevators and roofs, will often have a 100% sample.

The overriding objective: SEE ENOUGH OF EACH UNIT TYPE AND SYSTEM TO BE ABLE TO STATE WITH CONFIDENCE THE PRESENT AND PROBABLE FUTURE CONDITON.

- *Market Issues* - In certain instances, market conditions may necessitate action on certain systems. Examples are early appliance replacement or recarpeting, new entry paving, special plantings, and redecorated lobbies. If the owner or lender has identified such an action, the evaluator should include a cost estimation for such action and indicate what, if any, other costs would be eliminated by such action.

- *Work In Progress* - In some instances, work may be underway (which can be observed) or under contract. When known by the lender, this will be noted. For purposes of the report, such work should be assumed to be complete, unless observed to be unacceptable in quality or scope.
- *Management-Reported Replacements* - In some instances, the property ownership or management will provide the lender with information about prior repairs or replacements which have been completed in recent years. The lender may provide this information to the evaluator to assist in the assessment of these components. The evaluator should include enough units, buildings, or systems in the sample to reasonably verify the reported repairs or replacements.

### **Systems and Conditions Forms**

It is the responsibility of the evaluator to assess the condition of every system which is present at a property. All conditions, except as noted below, requiring action during the life of the loan must be addressed regardless of whether the action anticipated is a capital or operating expense.

To assist evaluators in reviewing all systems at a property, four Systems and Conditions Forms are provided. Each lists a group of systems typically related by trade and/or location. The four forms are Site, Architectural, Mechanical and Electrical, and Dwelling Units. While the forms have several columns in which information may be recorded, *in many instances only the first three columns will be completed*. If the condition of a system is acceptable, the Effective Remaining Life exceeds the term of the mortgage by two years, and no action is required, no other columns need to be completed.

The report is not expected to identify minor, inexpensive repairs or other maintenance items which are clearly part of the property owner's current operating pattern and budget so long as these items appear to be taken care of on a regular basis. Examples of such minor operating items are occasional window glazing replacement and/or caulking, modest plumbing repairs, and annual boiler servicing. However, the evaluator *should* comment on such items in the report if they do not appear to be routinely addressed or are in need of immediate repair.

The report is expected to address infrequently occurring "big ticket" maintenance items, such as exterior painting, all deferred maintenance of any kind, and repairs or replacements which normally involve significant expense or outside contracting. While the evaluator should note any environmental hazards seen in the course of the inspection, environment-related actions, such as removal of lead-based paint, will be addressed in a separate report prepared by an environmental consultant.

### **Using the Systems and Conditions Forms**

#### *Purpose*

The forms can be used both to record actual observations at a specific location and for an overall summary. For example, the Architectural form can be used for a specific building (or group or identical buildings) as well as for summarizing all information for buildings at a property. The same is true for the Dwelling Unit form. An unlabeled form is included which can be used as a second page for any of the Systems and Conditions Forms.

In some instances, the evaluator will note components which, while they may continue to be functional, may reduce marketability of the property. For example, single-door refrigerators or appliances in outmoded colors may have such an impact in some properties. The evaluator should note these items, discuss them with the lender, and provide separate estimates of the cost to replace such items if requested.

### **Items Estimated Useful Life**

Each of the four forms has a number of frequently-occurring systems and components listed. This list represents only the most frequently observed and is not meant to be all inclusive. *Every system present at the property must be observed and recorded.* Any system not listed on the form may be included in the spaces labeled Other. Note that the assessment includes the systems and components in both residential and non-residential structures. Thus, garages, community buildings, management and maintenance offices, cabanas, pools, commercial space, and other non-residential buildings and areas are included.

The Expected Useful Life (EUL) figure which appears in parentheses after the Item is taken from the EUL table provided. This table provides standard useful lives of many components typically found in apartment complexes. Where the parentheses do not contain a number, it is because there are various types of similar components with differing economic lives. The evaluator should turn to the EUL table and select, and insert, the appropriate EUL number. If the EUL will, without question, far exceed the term of the mortgage plus two years, the EUL number need not be inserted.

Note: It is recognized that the EUL tables represents only one possible judgment of the expected life of the various components. If we receive substantial material to the effect that one or more of the estimates are inappropriate, we will make adjustments. Until such changes are made, the Tables provide a useful and consistent standard for all evaluators to use. They avoid debate on what the appropriate expected life is and permit focus on the evaluator's judgment of the effective remaining life of the actual component in place, as discussed below.

### **Age**

The evaluator should insert the actual Age of the component or may insert "OR" for original. If the actual age is unknown, an estimate is acceptable. If there is a range in Age (for example, components replaced over time), the evaluator may note the range (i.e., 5-7 years) or may use several lines for the same system, putting a different Age of that system on each line.

### **Condition**

This space is provided to indicate the Condition of the component, generally excellent, good, fair, or poor, or a similar and *consistent* qualitative evaluation.

### **Effective Remaining Life**

This space is provided for the evaluator to indicate the remaining life of the component as is. For standard components with standard maintenance, the Expected Useful Life Table provided

by the Lender could be used to determine Effective Remaining Life by deducting the Age from EUL. However, this should not be done automatically. A component with unusually good original quality or exceptional maintenance could have a longer life. On the other hand, if the component has been poorly maintained or was of below standard original quality, the useful life could be shorter than expected. *The evaluator applies his or her professional judgment in making a determination of the Effective Remaining Life.*

If the Effective Remaining Life *is longer than the term of the loan plus two years, no deferred maintenance exists, and no action needs to be taken during the life of the loan, no other columns need to be filled out.* The only exception may be Diff? (Difference), as discussed below. This should be noted when the evaluator's estimate of the Effective Remaining Life varies by more than two years from the standard estimate.

### **Diff? (Difference)**

The Age of the component should be deducted from the EUL in parentheses and the answer compared to the Effective Remaining Life estimated by the evaluator. Where there is a difference of over two years, the evaluator should insert a footnote number in the DIFF? (Difference) column and supply, in an attached list of footnotes, a brief statement of why, in his or her judgment, the Effective Remaining Life of the component varies from the standard estimate. This approach provides consistency among evaluators while making best of the evaluators' professional judgment.

### **Action**

If any Action is required - immediately, over the life of the loan, or within two years thereafter - the Action should be recorded as *repair, replace, or maintain*. Repair is used when only a part of an item requires action, such as the hydraulics and/or controls of a compactor. Replace is used

when the entire item is replaced. Maintain is used where special, non-routine maintenance is required, such as the sandblasting of a swimming pool. In cases where a repair or maintenance may be needed now, and replacement or further maintenance may be needed later, separate lines may be used to identify the separate actions and timing.

### **Now?**

If the item involves a threat to the immediate health and safety of the residents, clearly affects curb appeal, will result in more serious problems if not corrected, or should otherwise be accomplished as part of an immediate repair, maintenance or replacement program, this space should be checked. Replacements which may be needed in year one, but do not require immediate attention, need not be checked.

### **DM (Deferred Maintenance)**

The DM (Deferred Maintenance) space is marked in any instances where current management practice is clearly inadequate and the owner's attention should be called to the item, even if no major expenditure or significant labor may be required.

## Quantity

For items requiring action, the evaluator should note the Quantity of the system, with the applicable unit of measure entered (each, unit, square feet, square yards, linear feet, lump sum, etc.).

## Field Notes

This space, as well as attachments may be used to record the type of component (16cf, frost. free, Hotpoint), the problem (valves leaking) or other information (consider replacement for marketing purposes, replace 30% per year, work in progress, etc.) that the evaluator will need to complete the Evaluator's Summary.

## Sample Form

The following example from the Dwelling Unit Systems and Conditions form illustrates how this form is properly used. The example presumes an 11 story building containing 1 and 2 bedroom units. There are 100 units. The age of the building is 9 years. The term of the proposed loan is 7 years.

ITEM (EUL)	AGE	COND	ERL	DIFF?	ACTION	NOW?	DM?	QUANTITY	NOTES
Countertop/Sink (10)	9	EX	10+	1	-	-	-	- ea.	Corian Stainless Steel
Refrigerator (15)	9	Good	6	-	REPL	-	-	100ea	Hot point 16cf. ff 20%/yr @ YR 5
Disposal (5)	0-9	Good	0-5	-	REPL	-		100ea	20%/yr. @ YR. 1 OPTE
Bath Fixtures (20)	9	Good	11+	-	-	-	-	-	Dated Looking Repair - Now
Ceiling 04 stack ( )	9	Hater Damage	-	-	Repair	Yes	-	10ea	Plumbing Leak

*Countertop/sinks* are 9 years old. (The entry could also be "OR"). Condition is excellent, with an Effective Remaining Life of 10 years. This is significantly different from the anticipated Effective Remaining Life of 1 (an EUL of 10 years minus an Age of 9 years). Therefore, there is a footnote entry "1" in the Diff? (Difference) column. The footnote will indicate that this item is made of an exceptionally durable material (Corian), along with a top quality stainless steel sink. The evaluator's estimate of an Effective Remaining Life of 10 years + is beyond the term of +2. No capital need would be reported.

*Refrigerators* are also original, reported as 16 cf frost free Hotpoint. Replacement is expected around the Effective Remaining Life, noted as 20% annually and beginning in the 5<sup>th</sup> year of the loan when the refrigerators are 14 years old.

*Disposals* range from new to original (Age = 0-9). 20% per year replacements will be needed starting in year 1. The evaluator notes that disposals appear to be replaced as part of the project's normal operations.

*Bath fixtures* are original, and in good condition. No replacement is expected to be required during the term +2 years. The note indicates that they are "dated looking," which may prompt a market consideration for replacement.

*Ceiling* is a special entry. The "04" stack of units has experienced water damage to ceiling from major plumbing leak. This is noted for repair NOW. As this apparently occurs in all 10 units in this stack and therefore is likely to have more than a modest cost, this action would be reported on the Immediate Physical Needs summary form.

### **Evaluator's Summary Forms**

Two separate forms are used to summarize the evaluator's conclusions from the Systems and Conditions Forms. One summarizes Immediate Physical Needs and the other summarizes the Physical Needs Over The Term +2 years.

#### **Evaluator's Summary: Immediate Physical Needs**

All of the items for which Now? is checked are transferred to this form. This form provides for the listing of Items, Quantity, Unit Cost and Total Cost of each. The Item and Quantity are transferred directly from the Systems and Conditions Form.

*Unit Cost* - This is the cost per unit (sf, ea, lf, etc.) in current dollars to implement the required action. The source of the cost estimate should be listed in a separate attachment. The sources may include a third-party estimation service (e.g., R.S. Means: *Repair and Remodeling Cost Data*), actual bid or contract prices for the property, estimates from contractors or vendors, the evaluator's own cost files, or published supplier sources.

*Total Cost* - This is the result of multiplying the quantity times the unit cost. It is expressed in current year dollars.

*DM (Deferred Maintenance)* - If the item evidences deferred maintenance, this column is checked.

*Comments* - the comments column, or an attachment, should clearly provide information on the location and the nature of problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

#### **Evaluator's Summary: Physical Needs Over the Term**

Those items not listed on the Immediate Physical Needs form, but for which action is anticipated during the term of the loan plus two years, are listed on the form. The item and Quantity are transferred directly from the Systems and Conditions Form. The Unit Cost is calculated in the same manner as on the Immediate Physical Needs Form. An attachment should be provided which gives any necessary information on the location of action items and the problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

*Cost by Year* - the result of multiplying the quantity times the unit cost, in current dollars, is inserted in the column for the year in which the action is expected to take place. Generally, the Effective Remaining Life estimate provided by the evaluator on the Systems and Conditions will indicate the action year. For example, if the evaluator has indicated that the Effective Remaining Life of the parking lot paving is 4 years, the cost, in current dollars, is inserted in Year 4. If the items are likely to be done over a number of years, the costs, in current dollars should be spread over the appropriate period. For example, if the Effective Remaining Life of the Refrigerators is estimated to be 4 years, or 3-5 years, one third of the cost of replacing the refrigerators may appear in each of Years 3, 4, and 5.

*Total Uninflated* - After inserting all of the appropriate action items, the evaluator should total the items for each year.

*Total Inflated* - The evaluator should multiply the Total Uninflated times the factor provided to produce the Total Inflated.

*Total Inflated All Pages* - On the last sheet, the evaluator should include the Total Inflated Dollars for that page and all prior pages.

*Cumulative Total All Pages* - On the last sheet, the evaluator should insert the Total Inflated Dollars of that year and all prior years.

### **Special Repair and Replacement Requirements**

While performing a property inspection, the evaluator must be aware that certain building materials and construction practices may cause properties to experience (or to develop in a short time period) problems that can be corrected only with major repairs or replacements. The following identifies some specific construction related problems; however, the evaluator must be aware that other construction related problems may be found in any property and should be identified. If any of the following requirements are not met or if the evaluator determines that the following conditions (or others) are present, *the evaluator must contact the lender immediately to discuss the timing as well as the cost of the repairs or replacements.* The evaluator should ensure that any of these conditions are thoroughly addressed in the Physical Needs Assessment.

*Minimum Electrical Capacity* - Each apartment unit must have sufficient electrical capacity (amperage) to handle the number of electrical circuits and their use within an apartment. Therefore, the evaluator must determine, based on referencing the National Electric Code as well as local building codes, what is the minimum electrical service needed. In any event, that service must not be less than 60 amperes.

*Electrical Circuit Overload Protection* - All apartment unit circuits, as well as electrical circuits elsewhere in an apartment complex, must have circuit breakers as opposed to fuses as circuit overload protection.

*Aluminum Wiring* - In all cases, where aluminum wiring runs from the panel to the outlets of a unit, the evaluator's inspection should ascertain that the aluminum wiring connections (outlets, switches, appliances, etc.) are made to receptacles rated to accept aluminum wiring or that corrective repairs can be done immediately by the owner.

*Fire Retardant Treated Plywood* - While performing the roof inspection, the evaluator should investigate whether there is any indication that fire-retardant treated plywood was used in the construction of the roof (primarily roof sheathing). This inspection should focus on sections of the roof that are subjected to the greatest amount of heat (e.g., areas that are not shaded or that are poorly ventilated) and, if possible, to inspect the attic for signs of deteriorating fire-retardant treated plywood or plywood that is stamped with a fire rating.

Our concern is that certain types of fire-retardant treated plywood rapidly deteriorate when exposed to excessive heat and humidity or may cause nails or other metal fasteners to corrode. Common signs of this condition include a darkening of the wood and the presence of a powder-like substance, warping of the roof and the curling of the shingles. Fire-retardant treated plywood is most likely to be in townhouse properties or other properties with pitched, shingled roofs that were constructed after 1981 and that are located in states east of the Mississippi River and some southwestern states.

### **Narrative Conclusion and Attachments**

A complete narrative summary of the property and its components is not required. However, the evaluator should supply a concise summary of the conclusions reached concerning the overall condition of the property, its future prospects, and the quality of the current maintenance programs. *Any items affecting the health and safety of residents should be clearly flagged.*

The summary should include a discussion of the sampling approach used, discussed above, and any market issues which the evaluator believes it may be appropriate to address or which were noted by the lender.

The narrative, the forms use and the attachments (footnotes explaining Differences, information regarding sources of costs, and, if necessary, information needed to identify the location and type of problem addressed in the Evaluator's Summary: Physical Needs Over the Term) should be supplied.

## **EXPECTED USEFUL LIFE TABLES**

Forms and Expected Useful Life Tables developed for Fannie Mae  
by On-Site Insight of Needham, MA



EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>SITE SYSTEMS</b>			“Action” equals replace unless otherwise noted
<b>NOTE: 50+ “long-lived” systems: EUL based on location and use specific conditions</b>			
Basketball Courts	15	25	
Built Improvements (playgrounds/site furniture)	20	20	
Catch Basin	40	40	
Cold Water Lines	40	40	
Compactors	15	15	
DHW/Supply/Return	30	30	
Dumpsters	10	10	
Dumpster Enclosure	10	10	Fence Only
Earthwork	50+	50+	
Electrical Distribution Center	40	40	
Emergency Generator	15	15	
Fencing			
Chain Link	40	40	
Wrought Iron	50+	50+	
Stockade/Basinweave	12	12	
Post and Rail	25	25	
Gas Lines	40	40	
Heating Supply/Return	40	40	
Incinerators	50+	50+	
Irrigation System	30	30	
Lift Station	50	50	
Mail Facilities	10	10	
Landscaping	50+	50+	
Parking			
Asphalt	25	25	Resurface
Gravel	15	15	Resurface
Pedestrian Paving	15	15	Resurface
Bimminors	15	15	
Concrete	30	30	
Retaining Walls			
Concrete	20	20	Fill Cracks/Repoint
Masonry	15	15	Fill Cracks/Repoint
Wood	15	15	Replace
Stone	15	15	Fill Cracks/Repoint
Roadways			
Asphalt (Sealing)	5	5	Seal
Asphalt	25	25	Resurface
Gravel	15	15	Resurface (grade and gravel)
Sanitary Treatment	40	40	
Site Electrical Main	40	40	
Site Gas Main	40	40	
Site Lighting	25	25	
Site Power Distribution	40	40	
Site Sanitary Lines	50+	50+	
Site Sewer Main	50+	50+	
Site Water Main	40	40	
Storm Drain Lines	50+	50+	
Swimming Pool - Deck	15	15	Resurface Deck
Mechanical Equipment (filter/pump/etc.)	10	10	
Tennis Courts	15	15	Resurface
Transformer	30	30	
Water Tower	50+	50+	

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>BUILDING ARCHITECTURE</b>			
<b>NOTE: 50+ = "long-lived" systems: EUL based on location and use-specific conditions</b>			
Appurtenant Structures			
Porches	50	50	Paint at 5 years
Wood Decks	20	20	Paint at 5 years
Storage Sheds	30	30	Paint at 5 years
Greenhouses	50	50	
Carports	40	40	
Garages	50+	50+	
Basement Stairs	50+	50+	
Building Mounted Exterior Lighting	6	10	
Building Mounted HID Lighting	6	20	
Bulkheads	30	30	
Canopies			
Wood/Metal	40	40	Replace
Concrete	20	20	Re-roof
Ceilings, Exterior or Open	5	5	Paint
Chimney	25	25	Point
Common Area Doors (fire/hall/closet/etc.)	50+	50+	
Common Area Floors			
Ceramic/Quarry Tile/Terrazzo	50+	50+	Replace
Wood (strip or parquet)	30	30	Replace Portion/Sand and Finish
Resilient Flooring (tile or sheet)	15	15	Replace
Carpet	7	7	Replace
Concrete	50+	50+	Replace
Common Area Railings	50+	50+	
Common Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (paint 5-8 years)
Acoustic Tile	20	20	Replace
Common Area Countertop & Sink	20	20	
Common Area Dishwasher	15	15	
Common Area Disposal	5	5	
Common Area Walls	50+	50+	Replace (paint 5-8 years)
Exterior Common Doors			
Aluminum and Glass	30	30	Door only
Solid Core (wood or metal)	25	25	Door only
Amo	15	30	Door and mechanism
Exterior Stairs			
Wood	30	30	Replace
Filled Metal Pan	20	20	Replace
Concrete	50+	50+	Replace
Exterior Unit Doors	25	25	
Exterior Walls			
Aluminum Siding	15	15	Prep and Paint
Brick or Block	40	40	Repoint
Brownstone/Stone Veneer	20	20	Waterproof and Caulk
Glass Block	15	15	Recaulk
Granite Block	40	40	Repoint
Metal/Glass Curtain Wall	10	10	Recaulk
Pre-cast Concrete Panel	15	15	Recaulk
Vinyl Siding	30	30	Replace
Wood shingle, Clapboard, Plywood, Stucco	5	5	Prep and Paint/Stain
Fire Escapes	40	40	Resecure
Foundations	50+	50+	

**EXPECTED USEFUL LIFE TABLE**

	<b>Family Development</b>	<b>Elderly Development</b>	<b>Action</b>
Hatches/Skylights			
Access Hatch	30	30	
Smoke Hatch or Skylight	50+	50+	
Insulation/Wall	50+	50+	
Interior Lighting	25	25	
Interior Railings	50+	50+	
Kitchen Cabinets	20	20	
Local HVAC			
Electrical Fan Coil	20	20	
Electric Heat/Electrical AC	15	15	
Gas Furnace With Split DX AC	20	20	
Heat Pump w/ Supplementary Electrical	15	15	
Heat Pump, Water Source	20	20	
Hydronic Fan Coil	30	30	
Hydronic Heat/Electrical AC	20	20	
Mail Facilities	10	30	
Parapet Wall	50+	50+	
Penthouse	25	25	New Door and Pointing
Public Bathroom Accessories	7	7	
Public Bathroom Fixtures	15	15	
Radiation			
Hydronic (baseboard or freestanding)	50	50	
Electric Baseboard	25	25	
Electric Panel	20	20	
Railings Roof	10	10	Paint
Refrigerator, Common Area	15	15	
Residential Glass Doors			
Sliding	15	15	
Atrium/French	30	30	
Roof Covering			
Aluminum Shingles	40	40	
Asphalt Shingles	20	20	
Built-up (BUR)	20	20	
Membrane	20	20	
Metal (pre-formed)	40	40	
Slate, Tile, Clay, or Concrete Shingles	50+	50+	
Wood Shingles	20	20	
Roof Drainage Exterior (gutter and fascia)	25	25	New Gutters
Roof drainage Interior (Drain Covers)	50+	50+	
Roof Structure	50+	50+	
Slab	50+	50+	
Service Doors	25	25	
Soffits			
Wood / Stucco / Concrete	5	5	Paint
Aluminum or Vinyl	25	25	Replace
Stair Structure	50+	50+	
Storm/Screen Doors	7	15	
Storm/Screen Windows	20	20	
Waterproofing Foundation	50+	50+	
Window Security	40	40	
Windows (Frames and Glazing)	30	30	
Wood Floor Frame	50+	50+	

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>DWELLING UNITS</b>			
<b>NOTE: 50+ = "long-lived" systems: EUL based on location and use-specific conditions</b>			
Bath Accessories	10	15	
Bath Fixtures (Sink, toilet, tub)	20	20	
Closet Doors	10	20	
Countertop and Sink	10	20	
Dishwasher	10	15	
Disposal	5	8	
Electric Fixtures	20	20	
Hallway Door	30	50	Door Only
Heat Detectors	20	20	
Interior Door	30	50	Door Only
Interior Stairs	50+	50+	
Kitchen Cabinets	20	25	
Living Area Ceilings			
Concrete/Drywall/Plaster	50+	50+	Replace (Paint at 5-8 years)
Acoustic Tiles	20	20	
Living Area Floors			
Ceramic/Quarry Tile/Terrazzo	50+	50+	Replace
Wood (strip or parquet)	30	30	Replace Portion/Sand and Finish
Resilient Flooring (tile or sheet)	15	20	Replace
Carpet	7	10	Replace
Concrete	50+	50+	Replace
Living Area Walls	50+	50+	Replace (Paint at 5-8 years)
Local HVAC			
Electric Fan Coil	20	20	
Electric Heat/Electric AC	15	15	
Evaporative Condenser ("swamp cooler")	20	20	
Gas furnace With Split DX AC	20	20	
Heat Pump w/ Supplementary Electric	15	15	
Heat Pump, Water Source	20	20	
Hydronic Fan Coil	30	30	
Hydronic Heat/Electric AC	20	20	
Range	15	20	
Rangehood	15	15	
Refrigerator	15	15	
Smoke/Fire Detectors	10	10	
Unit Air Conditioning (Window)	15	15	
Unit Electric Panel	50+	50+	
Unit Level Boiler	25	25	
Unit Buzzer/Intercom	20	30	
Unit Level DHW	10	10	
Unit Level Hot Air Furnace	25	25	
Unit Radiation			
Hydronic or Steam (baseboard or freestanding)	50	50	
Electric Baseboard	25	25	
Unit Vent/Exhaust	15	15	
Unit Wiring	99	99	
Vanities	20	20	
Window Covering	3-20	3-25	Material/User Specific

EXPECTED USEFUL LIFE TABLE			
	Family Development	Elderly Development	Action
<b>MECHANICAL/ELECTRICAL</b>			
<b>NOTE: 50+ = "long-lived" systems: EUL based on location and use specific conditions</b>			
Central Unit Exhaust, Roof Mounted	15	15	
Chilled Water Distribution	50+	50+	
Chilling Plant	15	25	
Compactor	15	15	
Cooling Tower	25	25	
Electrical Switchgear	50+	50+	
Electrical Wiring	50+	50+	
Elevator, Controller/Dispatcher	15	20	
Elevator, Cab	15	20	Rebuild Interior
Elevator, Machinery	30	30	
Elevator, Shaftway Doors	20	30	Replace Gibs and Rollers
Elevator, Shaftways			
Hoist Rails, Cables, Traveling Equipment	25	25	
Hydraulic Piston and Leveling Equipment	25	25	Re-sleeve Piston
Emergency Call Alarm System, Station	15	15	
Emergency Generator	35	35	
Emergency Lights	10	10	Battery operated
Evaporative Cooler	15	15	
Fire Pumps	20	20	Pump Motor
Fire Suppression	50+	50+	Piping
Gas Distribution	50+	50+	Piping
Heat Sensors	15	15	
Heating Risers and Distribution	50+	50+	
Heating Water Controller	15	15	
Hot and Cold Water Distribution	50	50	
HVAC			
Cooling Only	15	15	
Heat Only	15	15	
Heating and Cooling	15	15	
Master TV System	15	15	
Outdoor Temperature Sensor	10	10	
Sanitary Waste and Vent System	50+	50+	
Sewage Ejectors	50	50	
Buzzer/Intercom Central Panel	15	15	
Smoke & Fire Detection System, Central Panel	15	15	
Sump Pump			
Residential	7	7	Replace
Commercial	15	15	Replace Motor
Water Softening and Filtration	15	15	
Water Tower	50+	50+	
Boiler Room Equipment			
Blowdown and Water Treatment	25	25	
Boiler Room Pipe Insulation	With Boiler	With Boiler	
Boiler Room Piping	With Boiler	With Boiler	
Boiler Room Valves	15	15	Repack Valves
Boiler Temperature Controls	With boiler	With boiler	
Boilers			
Oil-fired Sectional	22	22	
Gas or Dual-fuel-fired Sectional	25	25	
Oil Gas or Dual-fuel-fired Package, Low MBH	30	30	

**EXPECTED USEFUL LIFE TABLE**

	Family Development	Elderly Development	Action
<b>MECHANICAL/ELECTRICAL (continued)</b>			
Oil Gas or Dual-fuel-fired Package, High MBH	40	40	
Gas-fired Atmospheric	25	25	
Electric	20	20	
Bottled Gas Storage	20	20	
Building Heating Water Temperature Controls			
Residential	12	12	
Commercial	15	15	
Combustion Air			
Duct with Fixed Louvers	50+	50+	Replace
Motorized Louver and Duct	25	25	Replace Motor
Make-up Air	25	25	Replace Fan/Preheater
Compressors	15	15	
Condensate and Feedwater			
Feedwater Only (Hydronic)	10	10	
Condensate and Feedwater (Steam)	With Boiler	With Boiler	
DHW Circulating Pumps	By Size	By Size	
DHW Generation			
Tank Only, Dedicated Fuel	10	10	
Exchanger in Storage Tank	15	15	
Exchanger in Boiler	15	15	
External Tankless	15	15	
Instantaneous	10	10	
DHW Storage Tanks			
Small (up to 150 gallons)	12	12	Replace
Large (over 150 gallons)	7	7	Point Tank Lining
Domestic Cold Water Pumps	15	15	
Fire Suppression	50+	50+	
Flue Exhaust	With Boiler	With Boiler	
Free Standing Chimney	50+	50+	
Fuel Oil Storage	25	25	
Fuel Transfer System	25	25	
Heat Exchanger	35	35	
Heating Water Circulating Pumps	By size	By size	
Line Dryers	15	15	
Motorized Valves	12	12	
Outdoor Temp Sensor	10	10	
Pneumatic Lines & Controls	30	30	
Purchased Steam Supply Station	50+	50+	
Solar Hot Water	20	20	Replace Collector Panels

## Accessibility Laws and Standards

Law and Regulation References	Act/Section Application	Accessibility Standard	Accessibility Requirements
<p>Public Law 90-480 (42 U.S.C. sections 4151-4157)</p> <p>(not referenced in regulations)</p>	<p>The Architectural Barriers Act of 1968 requires certain facilities financed with Federal funds be designed and constructed as to be accessible to the physically handicapped.</p> <p>Rural Development projects financed with Federal funds include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans.</li> </ul>	<p>Uniform Federal Accessibility Standard (UFAS)</p>	<p>All areas open to the public must be fully accessible to persons with disabilities. (For a MFH development, this would apply to the rental office. Other spaces - such as laundries, community rooms, etc. – are generally “common areas” for the use of tenants and their guests, and are not considered public spaces.)</p> <p>(Requirements of the Architectural Barriers Act of 1968 are met with the requirements of Section 504 of the Rehabilitation Act of 1973.)</p>
<p>Public Law 93-112 (29 U.S.C. sections 790-794)</p> <p>7 C.F.R. part 15b also 7 C.F.R. part 3560.60(d)</p>	<p>Section 504 of the Rehabilitation Act of 1973 requires programs and facilities receiving Federal financial assistance be designed and constructed as to be accessible to the physically handicapped.</p> <p>Rural Development projects receiving Federal financial assistance include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	<p>Uniform Federal Accessibility Standards (UFAS)</p>	<p><b>Substantial Alteration (7 CFR 3560.60(d)):</b></p> <ul style="list-style-type: none"> <li>• Substantial alteration defined as 50% or more of the full and fair cash value of the building. (See UFAS.)</li> <li>• Buildings undergoing substantial alteration are treated as “new construction” in UFAS due to the level of rehab.</li> </ul> <p><b>Properties ready for occupancy after 6/10/82:</b></p> <ul style="list-style-type: none"> <li>• At least 5% or a minimum of one dwelling unit (DU) must meet <u>mobility impairment requirements</u>. (Always round up. 5% of 21 units = TWO fully accessible units.)</li> <li>• The mix of accessible units is to be comparable to the variety of other project units (ie. 1, 2, and 3 bedrooms).</li> <li>• Public and common use areas must be accessible per UFAS.</li> </ul> <p><b>Properties ready for occupancy on or before 6/10/82:</b></p> <ul style="list-style-type: none"> <li>• Borrowers are encouraged to make 5% of units fully accessible. If a unit undergoes extensive repair, it will be made accessible to the extent possible, up to the 5% requirement. (7 C.F.R. 3560.60(d)(2))</li> <li>• Borrowers must conduct self-evaluations, and if needed develop transition plans</li> <li>• Borrowers must make common areas accessible when financially and structurally</li> </ul>

Law and Regulation References	Act/Section Application	Accessibility Standard	Accessibility Requirements
	Section 504 of the Rehabilitation Act of 1973 (con't)		<p>feasible (Common areas include mailboxes, office, community room, trash areas, playgrounds, laundry facilities, etc.)</p> <ul style="list-style-type: none"> <li>• When a qualified individual with a disability applies for admission, borrowers must make the unit accessible and usable to the individual. <b>Other Considerations:</b></li> <li>• For existing facilities, accessibility must be provided to the maximum extent feasible. If structurally impractical, a referral agreement may be used in lieu of making the facility accessible.</li> <li>• Applicant / tenant may request “reasonable accommodation” be made at owner / project expense.</li> </ul>
<p>Public Law 90-284 (42 U.S.C. section 3601 et seq)</p> <p>24 C.F.R. part 100 and 54 C.F.R. part 3232 (HUD’s regs implementing FHAA)</p> <p>7 C.F.R. part 3560.60(d)</p>	<p>The Fair Housing Act requires all “covered dwellings” to be adaptable. “Covered dwellings” are all ground floor units (or all units in an elevator building) in buildings with four or more units constructed after 3/13/91. This law applies to all Multifamily Housing, regardless of financing (public or private).</p> <p>Rural Development projects include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	Fair Housing Act / Accessibility Guidelines	<p><b>Properties ready for occupancy after 3/13/91:</b></p> <ul style="list-style-type: none"> <li>• At least one unit must be on an accessible route unless impractical due to terrain. (24 C.F.R. 100.205(a)) (Unless terrain does not permit and “site impracticality” test performed, all ground level units or all units in an elevator building on an accessible route.)</li> <li>• Townhouses and buildings less than 4 units exempted from requirements.</li> <li>• All public and common use areas must be accessible. (24 C.F.R. 100.205(c)(1))</li> <li>• All external and internal doors must be wide enough to accommodate wheel chair access. (24 C.F.R. 100.205 (c)(21))</li> <li>• All “covered dwellings” must contain the following features of adaptable design: <ul style="list-style-type: none"> <li>◊ Accessible route into and through the dwelling unit (24 C.F.R. 100.205 (C)(3)(i))</li> <li>◊ Light switches in accessible locations (24 C.F.R. 100.205 (C)(3)(ii)) <ul style="list-style-type: none"> <li>◊ Reinforcements in bathroom walls for grab bars and; (24 C.F.R. 100.205 (C)(3)(iii))</li> </ul> </li> <li>◊ Usable kitchens and bathrooms for persons in wheelchairs (24 C.F.R. 100.205 (C)(3)(iv))</li> </ul> </li> <li>• Applicant / tenant may request “reasonable accommodations” to the unit, at the tenant’s expense.</li> </ul> <p><b>Properties ready for occupancy on or before 3/13/91:</b></p> <ul style="list-style-type: none"> <li>• Fair Housing Act has no accessibility requirements for projects constructed prior to this date.</li> </ul>



<b>Law and Regulation References</b>	<b>Act/Section Application</b>	<b>Accessibility Standard</b>	<b>Accessibility Requirements</b>
<p>Public Law 101-336 (42 U.S.C. section 12111 et seq.)</p> <p>28 C.F.R. parts 35 and 36</p> <p>7 C.F.R. part 3560.60(d)</p>	<p>All places of public accommodation and commercial facilities must be accessible to persons with disabilities. Applies to all new construction and any repair / rehab. This law applies to all public spaces, regardless of financing (public or private).</p> <p>Rural Development projects include:</p> <ul style="list-style-type: none"> <li>• Section 515 Rural Rental Housing</li> <li>• Section 514 / 516 Farm Labor Housing grants and loans</li> </ul>	<p>Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (ADAAG)</p>	<p>All areas open to the public must be fully accessible to persons with disabilities. (For a MFH development, this would apply to the rental office. Other spaces - such as laundries, community rooms, etc. – are generally “common areas” for the use of tenants and their guests, and are not considered public spaces. Exceptions would be a community room used for poling, training, etc. or a dining room serving outsiders.)</p> <p><b>Properties ready for occupancy after 1/26/93:</b></p> <ul style="list-style-type: none"> <li>• Public areas must be accessible per ADAAG standards.</li> <li>• Once UFAS requirements are met, typically the additional ADAAG requirement is for a “van accessible” parking space at the office.</li> </ul> <p><b>Properties ready for occupancy on or before 1/26/93:</b></p> <ul style="list-style-type: none"> <li>• When public areas are altered, they must be altered to ADAAG standards. (Public areas are those areas used by individuals other than tenants and their guests. This includes offices used to pay bills or to inquire about rentals, public restrooms, and spaces used for voting, public meetings, or meals for outsiders.)</li> </ul>

## Existing Property Accessibility Checklist

<b>DISCLAIMER</b>	This information was developed to assist contractors in developing repair lists for existing MFH properties financed through USDA Rural Development's Section 515 program, as part of a Capital Needs Assessment (CNA). This analysis was not intended to address all accessibility requirements of any Federal, State, or local laws or regulations nor should this information be relied on for that purpose. To ensure full compliance, borrowers, architects, Rural Development staff, contractors, and other interested persons should refer to the Uniform Federal Accessibility Standards, the HUD Fair Housing Accessibility Guidelines, the Americans with Disabilities Act Accessibility Guidelines, and all other applicable Federal, State, and local standards. Please be aware that the owner(s) of this building are responsible for compliance of all applicable accessibility regulations.	
<b>SITE -</b>	(For each item, enter "Y" for "Yes", "N" for "No", or "NA" for "Not Applicable" in the first column. For each "N", transfer into the CNA a cost estimate for correction. Include details, notes, or photographs as appropriate to explain the situation.)	
<b>Parking:</b>	1.	Proper number of accessible spaces? (min. 1 / accessible unit + 1 visitor / office space – UFAS 4.1.(5)(d)) (min. 2% of parking - DM 2.23) (must meet both)
	2.	Proper width (8' wide min.) and access aisle adjacent? (5' wide min.) (UFAS 4.6.3) (DM 2.21)
	3.	Correct slope of accessible parking / access aisle (2%). (No ramp projecting into access aisle or parking space.) (UFAS 4.6.3)
	4.	Visible designation sign? (not obscured by vehicle due to height of sign post) (UFAS 4.6.4) (DM 2.21)
	5.	Shortest distance (closest space to accessible apartment, office, laundry, or site amenity) (UFAS 4.6.2) (DM 2.20)
<b>Accessible Route:</b>		
	1.	Curb cuts with flared sides (1:10 max) from parking to sidewalk, and where accessible route crosses pavement (UFAS 4.7.1 and 4.7.5) (DM 2.22)
	2.	Sidewalk adjacent to parking provides minimum 36" width accessible route beyond car's overhang (UFAS 4.3.3)
	3.	Accessible route links all elements on site (min. 36" wide, 8% slope max.): accessible units (UFAS), adaptable units (DM), common areas, mailboxes, trash areas, common laundry, amenities, etc. (DM 1.6, 2.8, 2.9, 2.16) (UFAS 4.1.1, 4.3.2, 4.3.3, 4.34.7.1)
	4.	Accessible route includes no changes in level greater than ½" unless beveled or ramped (UFAS 4.3.8)
	5.	If accessible route slope exceeds 5%, constructed as a ramp (UFAS 4.8) (DM 1.7-1.8)
	6.	Ramps provided have max. 1:12 (8.3%) slope, min 36" width, and cross slope max. 1:50? (UFAS 4.8.2, 4.8.6) (DM 1.7, 1.8)
	7.	Ramps with greater than a 6" rise or 72" length, handrails on both sides (UFAS 4.8.6) (DM 1.8)
	8.	Ramps with drop-offs have curbs or edge protection min. 2" high (UFAS 4.8.7)
	9.	Handrails extend 12" beyond both ends of ramp (UFAS 4.8.5) (DM 1.8) (May be omitted only if extension would obstruct a path of travel, no matter how designed.)
	10.	If stair in circulation path and open underneath, protect stair bottom below 80" headroom with stair protection up to 27" high maximum (UFAS 4.4.2) (DM 2.18)
	11.	Exterior stairs or interior common use stairs do not have open risers (at least partially closed) (UFAS 4.9) (DM 2.17)
<b>COMMON AREAS - (halls, community rooms, laundries, lobby, etc.)</b>		
	1.	Entrance threshold max, 1/2" at entry (UFAS 4.13.8) (DM 1.11)
	2.	Doorways 32" min. clear width (UFAS 4.13.5) (DM 1.11)
	3.	Lever hardware required (UFAS 4.13.9) (DM 1.11)
	4.	Floor covering is stable, firm, slip resistant. Carpeting, if provided, is low pile (UFAS 4.5.3)
	5.	Switches / outlets / thermostats / controls within reach range? (typically 15" - 48") (UFAS 4.27) (DM 5.3-5.9)
	6.	If provided, restrooms fully accessible: 18" clearance on pull side of door; maneuvering room (5' circle or T-shape); correct grab bars; bottom of mirror 40" max. above floor; lavatory 34" max. high, open beneath, lever faucets, & pipes covered. (UFAS 4.19 & 4.22, fig 28,29 & 30) (DM 2.28-2.30) (NOTE: maneuvering room not required if restroom is one lavatory and one water closet and provides a 30" x 60" clear space outside swing of door) *(See note)
	7.	If common kitchen provided, accessible route into, sink accessible: 34" or less high, open beneath, lever faucets, & pipes covered (UFAS 4.1.1, 4.24) (DM 2.14)

## Existing Property Accessibility Checklist

	8.	Laundry - at least one front loading washer and dryer, located in laundry nearest each accessible unit(s) (UFAS 4.34.7.2)
	9.	Washer / dryer controls within reach and 30' x 48" clear space at door / washer / dryer / sink (UFAS 4.2, 4.13, 4.24) (DM 2.26 - 2.27)
	10.	Playground - if provided, must be on an accessible route (accessible play equipment not required) (UFAS 4.1.1) (DM 2.9)
	11.	Mailboxes - 30" X 48" clear space, some boxes within 9" - 54" reach range (UFAS 4.1.1, 4.2) (DM 1.6 and 2.10)
	12.	Dumpster / trash areas – on accessible route, opening within reach range (typically 9" - 54") (UFAS 4.1.1)
<b>PUBLIC AREAS</b> - (onsite office, community room / etc. if open to more than tenants and guests)		
	1.	Meet all <b>COMMON AREAS</b> requirements (see above)
	2.	Van accessible parking space with proper width (8' wide min. or 11' wide universal space) (ADAAG 4.6.3) (DM 2.6 and 2.8)
	3.	Access aisle adjacent to van space (8' wide for 8' space, 5' wide for 11' universal space) (ADAAG 4.6.6) (UFAS 4.6.3) (DM 2.8)
	4.	Visible designation sign and "Van-accessible" sign (not obscured by vehicle) (UFAS 4.6.4) (ADAAG 4.6.4) (DM 2.21)
	5.	Correct slope of accessible parking / access aisle (2%). (No ramp projecting into access aisle or parking space.) (ADAAG 4.6.3)
	6.	Van accessible parking located on shortest accessible route (closest space to office or public space) (ADAAG 4.6.2)
<b>ACCESSIBLE UNITS</b> - (5% of total units required if constructed after 6/10/82 per USDA Departmental Regulations at 7 CFR 15b)		
<b>General:</b>	1.	Minimum 5% of total units fully accessible (NOTE: Always round up. A 20 unit project requires 1 fully accessible unit. A 21 unit development requires 2 fully accessible units.) (7 CFR 15b) (UFAS 4.1.4) (UFAS 4.1.4(11)).
	2.	Unit mix of accessible units reflects unit mix of all apartments (NOTE: If only one accessible unit provided, it would be the prevalent bedroom mix in the complex, usually a 2-bedroom unit. If a second accessible unit is provided, it would be the next prevalent bedroom size, usually a 1 bedroom unit.) (7 CFR 15b) *(See note)
	3.	Entrance threshold max. 1/2" at entry (UFAS 4.13.8) If sliding glass doors provided, threshold beveled to max. 3/4" (UFAS 4.13.8)
	4.	All rooms on a 36" wide accessible route (min. 32" clear at door openings) (UFAS 4.3.3 and 4.34.2(3))
	5.	Lever type hardware on entrance door (UFAS 4.13.9)
	6.	Switches / outlets / thermostats / controls in reach range? (typically 15" - 48") (UFAS 4.27.3)
	7.	Clothes closets - rod within reach (max. 54" height) (UFAS 4.2.5, 4.25.3)
	8.	Storage (linen, etc.) - some shelving within reach (between 9" and 54" above the floor; for side approach, between 9" and 48" for front approach) (UFAS 4.2.5, 4.25.3)
	9.	Floor covering is stable, firm, and slip resistant. If carpet provided, low pile (UFAS 4.5.3)
<b>Kitchen:</b>	1.	Minimum 40" clearance between opposing sides (60" in U-shaped kitchens) (UFAS 4.34.6.1)
	2.	30" X 48" clear space at appliances (UFAS 4.34.6.2)
	3.	Work surface - counter 30" wide min., no more than 34" above floor (with clear knee space or removable cabinet) (UFAS 4.34.6.4)
	4.	Wall cabinet storage above work surface 48" max height for at least one shelf (UFAS 4.34.6.10)
	5.	Sink space 34" max. above floor (with clear knee space or removable cabinet), 30" wide min. (UFAS 4.34.6.5)
	6.	Accessible sink controls (lever or push type controls) (UFAS 4.34.6.5(4))
	7.	Sink pipes insulated / covered (UFAS 4.34.6.5(8))
	8.	Cabinet hardware accessible (UFAS 4.34.6.10)
	9.	Front mounted range controls (UFAS 4.34.6.6) Oven self cleaning or adjacent to 30" clear open work space. (UFAS 4.34.6.7)
	10.	Separate switch for rangehood / light within reach range (UFAS 4.34.6.3, 4.27.4.1.2(12))
	11.	Refrigerator meets requirements (50% of freezer space in reach range) (UFAS 4.34.6.8)

## Existing Property Accessibility Checklist

<b>Bathroom:</b>	1.	30" x 48" clear floor space at door (UFAS 4.34.5.1) *(See note)
	2.	Knee / toe clearance under 34" maximum height lavatory (or removable cabinet) (UFAS 4.34.5. and 4.19.2)
	3.	Lavatory pipes insulated / covered (UFAS 4.34.5.3, 4.19.4)
	4.	Mirror 40" max. off floor (UFAS 4.22.6)
	5.	30" x 48" clear floor space at toilet (UFAS 4.34.5.2(1)) *(See note)
	6.	Grab bars in place and anchored securely (at toilet and tub / shower) (UFAS 4.34.5)
	7.	30" x 48" clear floor space at tub / shower (UFAS 4.34.5.4, 4.34.5.5) *(See note)
	8.	Tub controls located properly (UFAS 4.34.5.4(4))
	9.	Secure tub seat provided? (if not built in as part of unit) (UFAS 4.34.5.4(2))
	10.	Hand held shower nozzle, 60" min. long (UFAS 4.34.5.4(5))
<b>ADAPTABLE UNITS</b> - (Remaining ground level in buildings with 4+ units first occupied after 3/13/91)		
<b>General:</b>	1.	All ground level units on accessible route, or site / building impractical to achieve that accessibility (DM 1.40-1.55)
	2.	Low (max ¾") threshold at primary entry door, max. 4" step other exterior doors (DM 3.10)
	3.	36' accessible route to all rooms (entry door min. 32" clear opening, passage doors min. 31 5/8" clear opening) (DM 3.3, 3.5, 4.3)
	4.	Switches / outlets / thermostats / controls in reach range? (typically 15" - 48") (DM 5.1-5.9)
<b>Kitchen:</b>	1.	30" X 48" clear floor space at each fixture and appliance (DM 7.2)
	2.	31 5/8" min. clear opening into kitchen (DM 3.3, 3.5, 4.3)
	3.	Min. 40" between facing counters (in "U" kitchen, min. 60" if any fixture at bottom of "U" OR 40" min. if sink has removable front) (DM 7.2, 7.7-7.16)
<b>Bathroom:</b>	1.	Blocking for grab bars in place (DM 6.1-6.16, 7.33)
	2.	31 5/8" min. clear opening door to bath (DM 7.33)
	3.	30" x 48" clear space for wheelchair to enter, close door, and exit, outside of the door swing (DM 7.33)
	4.	30" x 48" clear space for wheelchair at each fixture (DM 7.33)
<b>COMMENTS -</b>	Note if project has water fountains, public telephones, or other site amenities that require accessibility, and if they comply or not. (Per UFAS, or UFAS and DM if built after 3/13/91.)	
	Include details, notes, or photographs as appropriate to explain the situation for accessibility shortcomings.	
<b>NOTE -</b>	The CNA process indicates work with an existing building. Rural Development recognizes that it may not be possible to make an existing structure as accessible as new construction. Items marked "(See note)" particularly may be difficult or impossible to achieve without great expense. For those items, provide as much accessibility as possible without moving walls or relocating units. Relocating walls in bathrooms may be necessary if it is impossible to provide space for a wheelchair outside the swing of the door, and / or a useable bathroom will not result. Always when working with an existing building, seek accessibility "to the extent possible".	
	With multiple accessibility requirements, the more restrictive code or regulation applies.	
<b>KEY -</b>	UFAS = Uniform Federal Accessibility Standard (implements Section 504 of the Rehabilitation Act of 1973) (Implementation date for Rural Development was 6/10/82. Projects funded after that date must have accessible common areas and 5% fully accessible units.) See <a href="http://www.access-board.gov/ufas/ufas-html/ufas.htm">http://www.access-board.gov/ufas/ufas-html/ufas.htm</a>	
	ADAAG = Americans with Disabilities Act Accessibility Guidelines. (Implementation date 1/26/93. Projects funded after that date, or performing repairs after that date must comply.) See <a href="http://www.access-board.gov/adaag/html/adaag.htm">http://www.access-board.gov/adaag/html/adaag.htm</a>	
	DM = HUD's Fair Housing Act Design Manual (implements the Fair Housing Act Accessibility Guidelines) (Implementation date was 3/13/91. Projects funded after that date must provide adaptable ground level units, or all units in elevator buildings, in buildings of four or more units. Common areas must be accessible.) See <a href="http://www.huduser.org/publications/pdf/fairhousing/fairintro.pdf">http://www.huduser.org/publications/pdf/fairhousing/fairintro.pdf</a>	

# Accessibility Requirements for Rural Development Financed Existing Multi-Family Housing

## Supplemental Questions & Answers

As part of its Multi-Family Portfolio Revitalization (MPR), Rural Development is providing additional guidance specifically to assist CNA Providers understand the level of accessibility requirements for properties with Rural Development funding.

The primary source for guidance on accessibility requirements is available from Rural Development's MFH Asset Management handbook, HB-2-3560, Appendix 5 on Civil Rights requirements. See <http://www.rurdev.usda.gov/regs/handbook/hb-2-3560/AM%20Appendix%205.pdf>

Pages 9-20 include Frequently Asked Questions and Answers to a range of accessibility issues found in existing MFH properties. Those questions have been included here.

Some additional situations / interpretations that are specifically relevant to the MPR have developed over time, which have not yet been incorporated into Appendix 5. Information about these topics are covered in the questions and answers below along with the FAQs from Appendix 5 which deal with the physical environment.

### **1. How do borrowers meet 7 C.F.R. part 15b numerical requirements for fully accessible units?**

In MFH projects ready for occupancy after June 10, 1982, 7 C.F.R. part 15b standards require:

- At least 5 percent or one unit, whichever is greater, must be fully accessible. To meet the 5 percent minimum, borrowers must round up to the next whole unit. For example, a 24-unit MFH project must have at least two fully accessible units (8.3 percent) rather than one (4.2 percent).
- Fully accessible units must be comparable in variety to other project units. For example, in a 24-unit project with 12 one-bedroom units and 12 two-bedroom units, one of the fully accessible units should be a one-bedroom unit and the other should be a two-bedroom unit.
- Rents for fully accessible units must be comparable to other same sized project units.
- If a project has more than one site, fully accessible units may not be clustered at one site, unless only one fully accessible unit is required.
- When a project has a wide variety of units (one, two, three or four bedrooms), borrowers are not required to exceed the 5 percent requirement simply to have a fully accessible unit of each type.

### **2. What are the requirements for van accessible parking?**

The requirements vary based on when a project became ready for occupancy. The parking lot of all projects with public areas such as an on-site office, ready for occupancy after January

26, 1993, must be properly striped for van accessible parking and access aisles. All projects with public areas ready for occupancy before January 26, 1993, must be striped for van accessible parking and access aisles whenever the parking lot is re-striped.

3. **If accessible parking is located across the drive from the building it serves, must a crosswalk be painted on the drive?**

No, it's not required. However, having a crosswalk is a good idea since it would indicate a crossing exists, and hopefully would signal a driver to slow down. There is no requirement for a painted crosswalk in the accessibility standards. Further, there is no requirement for the color of paint to be used. White is most commonly used, and sometimes blue or yellow. Curb ramps from the drive to the site are required.

4. **What is the concept of "visitability," what is required , and when does it apply?**

The concept of "visitability" is that **a disabled person should be able to visit every apartment on site**. If that is not possible (due to a lack of elevators), the disabled person should be able to visit every ground floor unit. The Fair Housing Amendments Act (FHAA) greatly furthered the concept of visitability by **requiring an accessible entrance to all ground floor units in buildings of 4 or more units, constructed for first occupancy after 3/13/91**. FHAA further requires those units to be "adaptable" to persons with disabilities. This is greatly improving accessibility in MFH throughout the nation, since the FHAA requirements apply to all multi-family housing, whether financed by the federal government or not.

**Buildings constructed prior to 3/13/91 do not have to comply with the requirement for an accessible route to each ground floor unit.** Section 515 and Section 514/516 properties built prior to 3/13/91 must comply with the Section 504 requirement for 5% fully accessible units, but there is no requirement for all ground floor units to be on an accessible route. Borrowers may incorporate the concept of "visitability" if they so choose, but Rural Development cannot require such modifications in properties built before this date.

5. **What does it mean that MFH playgrounds must be accessible?**

As a site amenity, playgrounds or "tot lots" must be accessible. **"Accessible" for a playground means that the playground must be on an accessible route.** A disabled parent or child must be able to get "to" the playground. A concrete or asphalt sidewalk to the playground meeting the requirements of an accessible route is sufficient. It is recommended that there be a turnaround at the end of that route, so a disabled individual does not have to "back out". If the playground has a defined edge (railroad ties, change in surface material, etc.), that is where the accessible route would end. If the playground is merely "in the grass", the accessible route does not have to go to any, or every, piece of equipment. It should end "reasonably close" to the equipment.

**Accessible play equipment is only required for a "public" playground. The playground on a MFH site is for "tenants and their guests". It is a "common" area, not a "public" area.**

6. **At existing properties with very hilly sites, does Rural Development expect an accessible route among every building and common facility?**

For properties built after 3/13/91, under the FHAA requirements, an accessible route to common areas and all ground level units in buildings with four or more units was required. (Even under those requirements, a “site impracticality” test was allowed to reduce accessibility throughout the site for hilly sites.) For properties built prior to that date, There is no requirement for an accessible route throughout the site. The requirement is that the office, 5% fully accessible units, and one common area of each type (laundry, trash enclosure, mailbox area, playground, etc.) be on an accessible route. In sites where a pedestrian accessible route cannot be provided, an accessible route using a vehicle is permitted.

For example, if an accessible route cannot be provided from the fully accessible unit(s) to the playground using sidewalks and ramps, an accessible parking space can be provided near the playground with an accessible route from the parking space to the playground. The tenant would then wheel out to their parking space, drive to the playground, and wheel to the playground. Obviously, this is not ideal, but is acceptable in situations where site constraints warrant it.

Bear in mind that there may be situations where “more than one” of a common site amenity must be on an accessible route. For example, if the site has two accessible units at opposite ends of the site, the laundry nearest each accessible unit should be on an accessible route and available for their use. In this situation, more than one accessible laundry room would be required.

7. **Are “open risers” on common area stairs permitted?**

No. Stairs are not part of an accessible route. That said, UFAS provides requirements for “accessible stairs” at UFAS 4.9. What / where are “accessible stairs”? **Stairs required to be accessible are any stair that serves more than one unit, or any exterior stair serving a single unit.** The only stairs on a Rural Development financed MFH site that would not be “accessible stairs” would be an interior stair that serves only one unit – where you open the door, do directly up the stairs, and typically end up in the unit’s living room. All exterior stairs, and all interior stairs serving more than one unit are common use stairs.

Because of their common use, UFAS has greater accessibility requirements for those stairs. The stairs will be used by tenants and their guests. The tenant, or their guests, could be mobility or visually impaired. If they are, the possibility of a foot going through the open riser of a stair exists.

**Due to that possibility, UFAS requires some form of “blocking” for the open riser. Note that UFAS does not say “closed risers are required”. UFAS 4.9.2 reads “Open risers are not permitted.”** Vertical or horizontal strips (wood or metal), decorative wire mesh, or other materials may be used. Many owners choose not to fully enclose the risers due to water, rain, light, ventilation, and security issues.

8. **What is Rural Development's expectation regarding existing developments that feature split foyer design, with all units below or above entry grade?**

Where an architect or engineer has determined that it is structurally impractical to make physical changes, a referral agreement to another nearby property with a fully accessible unit

is an acceptable solution. However, cost alone should not be viewed as a basis to ignore physical modifications that achieve accessibility at the subject property, particularly if it is undergoing major rehab. For example, a split foyer design with all units below or above entry grade, it may or may not be structurally impractical to provide accessibility, depending on site and building conditions.

**9. What are the requirements for accessibility for a community room kitchen / kitchenette?**

In many situations, the requirements for an accessible dwelling unit kitchen have been applied to a common use kitchen or kitchenette. The Fair Housing Act Accessibility Guidelines and UFAS have similar requirements.

- The community room must be accessible, including an accessible route into the space, accessible doors, switches and outlets at proper height, etc.
- The kitchen area must have an accessible sink per UFAS 4.24. This includes a mounting height no higher than 34”, knee clearance underneath, clear floor space at the sink, insulated piping, and an accessible faucet.
- UFAS 4.25 and 4.1.2(11) further requires that a portion of the storage provided (shelves, drawers, and cabinets) have clear floor space and be within the reach range. This requirement is normally met with standard kitchen base cabinets.
- The kitchen must have a 60” turning circle or “T” turn around for maneuverability. Space in the community room or a hallway immediately outside the kitchen may be used to meet this requirement.
- There is no requirement in a common use kitchen for an accessible work surface, range or cooktop with accessible controls, self cleaning wall oven, or an accessible refrigerator (with 50% of freezer space within reach ranges). These requirements appear in UFAS 4.34, and only apply to an accessible dwelling unit.

These requirements for a common use kitchen or kitchenette are minimums. Provision of additional accessibility in a common use kitchen or kitchenette is encouraged, but not required.

**10. For an existing Section 515 property built after 6/10/82 with only townhouse units, what can be done to provide an accessible unit?**

For existing Section 515 units meeting the above criteria, there are three possible actions:

- a) Construct a new fully accessible single story unit (often not financially possible);
- b) Convert an existing townhouse to be accessible “to the extent possible” (the next best solution); or
- c) Develop a “referral agreement” (the choice when neither Action “a” nor Action “b” are feasible).

Consultation with the State Office Program, Technical, and Civil Rights staff will be necessary to determine the best solution, on a case by case basis. The financial status of the property will be a major determining factor on what choice is made. If conversion is selected, the best possible solution is usually to add a bedroom and bath on the first floor. In that way, a disabled parent or child could utilize the bedroom and bath, and access the first floor. No access to the second floor would be added. This is not an ideal solution, but for a



property that cannot afford to add a new fully accessible unit, it may be an acceptable solution. A “referral agreement” is the last possible choice in all cases of accessibility. A referral agreement requires finding a similar property (similar number of bedrooms, amenities, subsidy, assistance, etc.) within the area with accessible units that will accept applicants from this property. Since the subject property would be without accessible units, a referral agreement provides housing without providing an accessible unit on site.

**11. What are the requirements about the height of wall cabinets in “fully accessible” units?**

In cases of repair / rehab / creation of a fully accessible unit in a Rural Development financed property, confusion exists over the height of wall cabinets. Unfortunately, UFAS is not clear on the requirements for the height of the wall cabinet. In one place, UFAS 4.34.2(8) requires cabinets to be accessible, but requirements are unclear. In UFAS 4.34.6.4 it refers to Figure 50. Figure 50 shows a maximum height to the bottom shelf of the wall cabinet over the work space of 48”.

**In consultation with the Access Board (the writers of UFAS), Rural Development received guidance that the requirement for a lowered wall cabinet was intended only over the work space, not throughout the kitchen.** All wall cabinets may be lowered, to provide an even plane. If no wall cabinets have been lowered in a unit, or if no workspace has been provided, then the wall cabinet over the work space as a minimum must be lowered to comply with Figure 50. Figure 50 shows the UFAS preferable (not required) method of lowering all wall cabinets. Remaining wall cabinets at standard height allows use of a microwave or coffeemaker under the wall cabinet, on the countertop.

**12. Does installation of a wall shelf at 48” in lieu of re-positioning wall cabinets satisfy Rural Development requirements?**

The Access Board has indicated that a shelf between base cabinets provides “equivalent” accessibility when it is not possible to lower wall cabinets. The shelf should not become the standard solution, but can be considered on a case-by-case basis. For example, if funds for rehabilitation are limited, the shelf may be a less expensive solution to removing and relocating the wall cabinet over the work space. If funds are available, the wall cabinets should be relocated. Although deemed “equivalent,” the shelf does not have doors to cover the storage space and should not be used if relocating wall cabinets is possible.

**13. Is a 30" x 34" high workspace required in an accessible dwelling unit kitchen? While UFAS 4.34.6.4 requires this, it is not included in the list in Attachment B or added to the MFH Physical Inspection Form.**

Yes, it's required. The list in Attachment B was not intended to be all inclusive of UFAS standards, but to hit the big issues.

**14. Where are grab bars required?**

Grab bars are required in the 5 percent of units that are “fully accessible.” UFAS 4.34.5 uses the language “If provided, grab bars will ....” Rural Development has taken the position that grab bars will be installed in order to make the “fully accessible” unit ready for a person with disabilities. Grab bars are also provided in those units in which a tenant has requested them as a “reasonable accommodation.” In those ground floor units constructed since 1991, FHA/AG required blocking for “adaptability.” In those units, grab bars may be installed later as a form of “reasonable accommodation” when requested.

**15. An item on the MFH Physical Inspection form refers to a “functional emergency call system.” Are emergency call systems required in all fully accessible units?**

If the fully accessible unit presently has an emergency call system, it must be functional. If no emergency call system is in place, the borrower does not have to provide one at this time. It may be necessary to add one as a “reasonable accommodation” per a tenant request in future. In such a case, a portable unit may suffice. There has been considerable confusion on this issue, and we realize that this may be a different answer than you have received in the past. HUD’s old Minimum Property Standard (MPS) required an emergency call system in elderly housing. This standard was dropped in the 1980’s, but has led to the confusion.

**16. Is a 5 foot turning circle in a dwelling unit bathroom required?**

Some Transition Plans are indicating a need to enlarge the bathroom in an accessible unit to provide a 5 foot turning circle, which UFAS requires in a common use bathroom. Writers of Transition Plans are incorrectly applying this requirement to a dwelling unit. Rural Development staff should understand that an accessible dwelling unit bathroom must have clear floor space at the tub/shower and commode, but a 5 foot turning circle is not required within a dwelling unit bath. Also, UFAS provides an exception in 4.22.3 for public toilets with only one lavatory and commode. In those common use toilets, a 5 foot turning circle is not required.

**17. We have an existing MFH property with multiple laundry rooms. Must each laundry room be made accessible?**

Not necessarily.

- For a property constructed for first occupancy after March 13, 1991 and subject to the Fair Housing Amendments Act design requirements, laundries for the covered units must be on an accessible route, and the space must be accessible. This would apply to all ground floor laundries (or all laundries in a building with an elevator).
- In addition, for properties constructed, or with substantial alterations, after June 10, 1982, UFAS also applies. UFAS 4.1.3(3) states “Common Areas: At least one of each type of common area and amenity in each project shall be accessible and shall be located on an accessible route to any accessible dwelling unit.” This sets a minimum of one accessible laundry. If accessible units are located near one another, the nearest laundry must be made accessible. If accessible units are located on opposite ends of the property, it may be necessary to make more than one laundry room accessible, depending on location and site topography. In such a situation, the nearest laundry room to each accessible unit must be made accessible.
- Regardless of when a property was constructed, it is the policy of Rural Development that, to the extent possible, barriers to common use areas that prevent any mobility impaired person from having full access will be removed. This does not, however, require borrowers to exceed the above standards unless it is necessary to do so in response to a request for a reasonable accommodation from a person with disabilities.

In addition, UFAS 4.34.7.2 states that washing machines and clothes dryers in common use laundry rooms shall be front loading.” Rural Development has taken the position that this requirement is met if at least one washer and one dryer is front loading in every laundry room that is required to be accessible by UFAS. This position is taken, in part, in recognition that there may be some increase in cost to provide front loading washers and dryers.

**18. How quickly must owners correct deficiencies in meeting accessibility requirements?**

USDA regulations at 7 C.F.R. part 15b describe the use of a Self Evaluation and Transition Plan. The information in HB-2-3560, Appendix 5 further defines the process. In essence, a Self Evaluation is conducted to determine what accessibility shortcomings exist on a property. If physical issues arise (beyond their “policies and procedures”), a Transition Plan is required to remedy those issues. Each item must be identified, a corrective action proposed, with a cost associated with it, and a schedule for implementing the correction. Rural Development recognizes that typically a property cannot afford to fix everything at once.

A Transition Plan allows the property up to three years to schedule corrections. That gives the property time to raise money through it’s normal operating budget, find an outside source (loan, grant, owner’s contribution, transfer, assumption, rehabilitation, MPR process, etc.). If the items can be corrected during the three year timeframe, the process is complete. If the list is extensive, or finances are such that the repairs cannot be completed in three years, the Transition Plan may be amended to continue for an additional three years. The concept is that a Transition Plan will be used to continue the property on schedule providing additional accessibility, until all items are completed. A Transition Plan should never be used to “postpone” or “avoid” accessibility. **As part of the Rural Development Multifamily Portfolio Revitalization, Rural Development anticipates that accessibility issues should be corrected. Ideally, accessibility issues would be included in the property’s rehabilitation.** Remedy the accessibility issues that can be funded during rehab / through the MPR process, and capture the remaining items either in year 1 or in a Transition Plan, to be continually repaired until complete.

Owners should understand that a Transition Plan is not a one time process. If one is done and completed, there is no guarantee that a future Transition Plan will not occur. For example, if sidewalks settle over time and provide a greater than ½ inch level change on an accessible walk, Rural Development may point that out, and request a new Self Evaluation / Transition Plan to correct the problem. (If sufficient funds in maintenance cannot correct it “now”.) Likewise, trash enclosures may change over time. With a new trash service company, larger dumpsters without side openings may be used. Without a side opening, the dumpster may no longer be within the reach ranges. A change in the trash enclosure area would be required to adapt to the new equipment. So, changes in the site or buildings over time may effect accessibility, and require changes. What is accessible today is not guaranteed to be accessible tomorrow.

**19. In common areas, such as corridors, lounge or dining areas, are “visual” and “audio” alarm systems required in an existing property?**

The correct answer: it depends. If the property does not presently have a smoke or fire alarm system in place, or if the property is not receiving a rehab as part of the servicing tools being used, there is no requirement from Rural Development to add an alarm or revise any existing alarm system. However, if the locality or state law requires that an alarm system be added, the new alarm system must meet the requirements for both “visual” and “audio” signals. (See UFAS 4.28.) If the property is being rehabbed and an alarm system added, the Access Board has advised us that an alarm system that is both “visual” and “audio” must be added to the common areas.

Please note that these comments are directed to alarm systems in common areas. The only dwelling units that would be required to have a “visual” alarm are the fully accessible units.

# Capital Needs Assessment Guidance to the Reviewer

## AGREEMENT TO PROVIDE CAPITAL NEEDS ASSESSMENT

	<b>GENERAL NOTES:</b>
A	Reviews of proposed agreements for Capital Needs Assessments (CNA) should be based on Rural Development and other Rural Development-recognized guidelines.
B	If all review items are answered “NO”, the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
C	Any review items answered with a “YES” should be explained in writing to the proposed Provider in sufficient detail for clarity and appropriate actions to be taken.
D	If all review items answered with a “YES” are satisfactorily addressed or corrected by the proposed Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
E	If any review items answered with a “YES” cannot be satisfactorily addressed or corrected by the proposed CNA Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should NOT be accepted.

	<b>REVIEW ITEMS:</b>	<b>YES</b>	<b>NO</b>
1	Does the proposed Agreement exclude Rural Development’s Addendum to Capital Needs Assessment Contract?		
2	Does the proposed Agreement exclude Rural Development’s Capital Needs Assessment Statement of Work?		
3	Is there any evidence or indication that the proposed CNA Provider has an identity of interest, as defined in 7 CFR 3560?		
4	Is there any evidence or indication that the proposed CNA Provider is NOT trained in evaluating site and building systems, and health, safety, physical, structural, environmental and accessibility conditions?		
5	Is there any evidence or indication that the proposed CNA Provider is NOT trained in estimating costs for repairing, replacing, and improving site and building components?		
6	Is there any evidence or indication that the proposed CNA Provider is NOT experienced in providing CNAs for MFH properties that are similar to those in the Section 515 Program?		
7	Is there any evidence or indication that the proposed CNA Provider is NOT knowledgeable of site, building and accessibility codes and standards?		
8	Is there any evidence or indication that the proposed CNA Provider is debarred or suspended from participating in Federally-assisted programs?		
9	Does the proposed fee appear to be unreasonable?		

## CAPITAL NEEDS ASSESSMENT REPORT

	<b>GENERAL NOTES:</b>
A	Reviews of preliminary Capital Needs Assessment (CNA) reports should be based on: <ol style="list-style-type: none"> <li>1. The Statement of Work referenced in the written agreement with the provider</li> <li>2. Rural Development case file, such as property records and inspection reports</li> <li>3. Latest available cost data published by RS Means</li> <li>4. Rural Development guidelines</li> <li>5. Fannie Mae guidelines</li> </ol>
B	The reviewer should give special attention to the line items with the highest total costs.
C	The reviewer should be careful to note whether all systems or components that should be included have indeed been included in the report.
D	If all review items are answered “YES”, the Provider should be advised to finalize the CNA with no or only a few minor changes.
E	Any review items answered with a “NO” should be explained in writing to the Provider in sufficient detail for clarity and appropriate actions taken.
F	The final report should be reviewed to verify that any minor changes and items answered with a “NO” in the first review have been satisfactorily addressed or corrected.
G	When item “D” is completed, the CNA Reviewer should advise the appropriate Rural Development official that the CNA should be accepted as the final report.

	<b>REVIEW ITEMS:</b>	<b>PRIMARY BASIS *</b>	<b>YES</b>	<b>NO</b>
1	Is the report in the required format?	1		
2	Does the report fully describe the property?	1		
3	Are photographs provided to generally describe the property’s buildings and other facilities?	1		
4	Does the report identify who performed the on-site inspection?	1		
5	Does the report identify who prepared the report?	1		
6	Was an adequate number of dwelling units inspected?	1		
7	Is the length of the study period adequate?	1		
8	Is the list of property components complete?	5		
9	Is the list divided into the appropriate major system groups?	1		
10	Are the existing property components accurately described?	2		
11	Are the expected useful lifetimes of the components reasonably accurate?	5		
12	Are the reported ages of the components reasonably accurate?	2		
13	Is the current condition of each component accurately noted?	2		
14	Are the effective remaining lifetimes of components correctly calculated?	5		
15	Are proposed corrective actions appropriately identified?	1		
16	Are critical immediate repairs appropriately identified?	1		
17	Are items being replaced with “in-kind” materials when appropriate?	1		
18	Are the component quantities reasonably accurate?	2		
19	Are photographs provided to describe deficiencies?	1		

	<b>REVIEW ITEMS:</b>	<b>PRIMARY BASIS *</b>	<b>YES</b>	<b>NO</b>
20	Does the report adequately address environmental hazards and other relevant environmental issues?	1		
21	Does the report adequately address accessibility issues?	1		
22	Does the report address any existing accessibility transition plans and their adequacy?	1		
23	Are photographs provided to describe existing kitchens and bathrooms in the fully accessible units?	1		
24	Are the proposed years for repair or replacement reasonable?	5		
25	Are the repair/replacement durations appropriate and reasonable?	5		
26	Are the detailed estimated repair and replacement costs calculated in current dollars?	1		
27	Are the estimated repair and replacement costs reasonable?	3		
28	Are the sources for cost data explained in the report?	1		
29	Is the projected inflation rate appropriate?	1		
30	Have the costs in current and inflated dollars been totaled for each year?	1		
31	Have the costs for each year and grand totals been correctly calculated?	5		
32	Does the data in the report narrative and summary charts match?	5		
33	Does the report exclude routine maintenance, operation, and low cost expenses?	4		
34	Does the report include all deficiencies known to Rural Development?	2		
35	Does the report include all other relevant data or information known to Rural Development?	2		

- = see General Note "A"

COMMENTS:

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# Sample Capital Needs Assessment Review Report

## SAMPLE CAPITAL NEEDS ASSESSMENT REVIEW REPORT

### [REVIEW OF PRELIMINARY / FINAL CNA REPORT]

**Property Name and Location:**

**CNA Provider:**

**CNA Reviewer:**

**Date of Preliminary / Final CNA Report:**

**Date of Review:**

**Reviewer's Comments:**

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**Purpose / Intended Use / Intended User of Review:**

- The purpose of this CNA review assignment is to render an opinion as to the completeness, adequacy, relevance, appropriateness, and reasonableness of the work under review relative to the requirements of Rural Development.
- The intended use of the review report is to help meet Rural Development loan underwriting requirements for permanent financing under the Section 515 Revitalization Demonstration. The review is not intended for any other use.
- The intended user of the review is only Rural Development.

**Scope of Review:**

**The scope of the CNA review process involved the following procedures:**

- The review included a reading/analysis of the following components from the CNA report and the additional due diligence noted. The contents from the CNA work file were not reviewed.
  - Date of the Report
  - Narrative
  - Description of Improvements
  - Photographs of the Subject Property
  - Capital Needs Summary
  - Systems and Conditions Forms
  - Critical Needs Forms
  - Capital Needs Over the Term Forms
- This is a desk review, and the reviewer has not inspected the subject property.
- The reviewer has/has not confirmed data contained within the CNA report.

**Review Conclusion:**

**In the reviewer's opinion, given the scope of the work under review:**

- The subject CNA meets/does not meet the reporting requirements of Rural Development.
- The data appears/does not appear to be adequate and relevant.
- The CNA methods and techniques used are/are not appropriate.
- The analyses, opinions, and conclusions are/are not appropriate and reasonable.
- This is a review report on a *preliminary* CNA report. The preliminary CNA report is subject to review discussions between Rural Development and the owner of the subject property and between the owner and the CNA provider. The owner is the CNA provider's client, and only the client can instruct the CNA provider to revise the preliminary report. To be acceptable to Rural Development, the final CNA report should address any errors or deficiencies identified in the *Reviewer's Comments* section of this review report.

Signed by:

\_\_\_\_\_  
(CNA Reviewer)

\_\_\_\_\_  
(Underwriter / Loan Official)

*(Please note: For the initial CNA Review Report of the draft CNA, only the CNA Reviewer needs to sign the report on behalf of Rural Development. For the final CNA Review Report, for the final CNA, the CNA Reviewer and the Underwriter / Loan Official are to sign the report. This is to encourage discussion between the Agencies parties, so that both the CNA Reviewer and the Underwriter are involved in the process of accepting the final CNA for the property.)*